

NORTH LINCOLNSHIRE COUNCIL

CABINET

JANUARY BUDGET REVIEW 2014/15

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1. This is one of a series of reports produced at intervals throughout the financial year to update cabinet on the Councils financial position for the 2014-15 financial year.
- 1.2. It provides an opportunity to review how the Councils revenue plans and capital programme are progressing. It also considers opportunities and potential corrective action where necessary.
- 1.3. The main points of the report are:
 - 1.3.1. The Revenue budget position remains positive and despite Directorates being faced with significant challenges, a budget saving of £649k is presently forecast.
 - 1.3.2. Schools are forecast to use £750k of balances to meet expenditure challenges.
 - 1.3.3. Positive progress in the achievement of £8.65m of approved savings.
 - 1.3.4. A review of the 2014/15 capital programme has, along with other proposed amendments, identified £11.3m of expenditure rephasing to later financial years, with a potential capital financing saving of £0.26m in 2015/16.
 - 1.3.5. Other proposals which include additional grant and externally funded schemes will increase the overall programme expenditure by £9.6m and the cost of capital financing by £0.54m across the programme.

2. BACKGROUND INFORMATION

- 2.1. The net expenditure position against budget is monitored on a regular basis. The report considers the current Directorate position and actions that are being taken to resolve problems and identify saving opportunities. Where services require additional support or where additional savings have been

identified cabinet can consider the reallocation of resources between directorates, earmarked reserves and the contingency fund.

- 2.2. Capital schemes can have a long lead-time and implementation usually takes place over more than one financial year. This is why the Council approves a four to five year programme. Over the life of a scheme a range of factors can affect delivery which makes the regular review of the programme necessary. The report looks at current progress in achieving the Council's programme of investment. It also considers changes in the initial investment priorities and requirements for the inclusion of additional schemes.

3. OPTIONS FOR CONSIDERATION

Revenue 2014/15

- 3.1. During the financial year directorates can be faced with a range of expenditure and income challenges and opportunities. It is expected however that Directors will manage their budget allocations within their approved limits, unless specific provisions are made within the contingency fund or as an earmarked reserve which can be drawn upon.
- 3.2. The latest forecasts shown in Appendix 1 suggest that after taking account of directorate challenges and potential savings the council will underspend its budget by £649k
- 3.3. The details of this position are as follows;

People Directorate

- 3.4. The directorate are currently forecasting a saving of £72k.

Education

- The budget is on target to balance.

Prevention & Commissioning

- It is anticipated that this budget will be balanced however challenges of £125k have been identified in relation to development of the Care First computer system and the use of interim staff for sickness cover within the Resources services. These have been offset by £98k of contract savings from the Adult and Children's Universal prevention services and balanced with vacancy management savings within the Commissioning service. It is anticipated that there is likely to be a net in year underspend of £136k on the services Public Health budget. This saving would need to be taken to the Public Health earmarked reserve to meet challenges forecast in later years.

Children's Services

- The service is projecting a £37k underspend. Ongoing legal costs are however forecast to overspend by £100k. Children's Services have experienced higher demand with increased expectation and input on

complex cases. Currently the demand and additional costs are being met through vacancies.

Adult Services

- A small underspend of £35k is forecast. Specialist Services are however experiencing high levels of demand and an increase in costs. As such all demand led budgets including Learning Disability, Mental Health and Physical Disability activity budgets, are suggesting a total overspend of £459k. The service is managing to contain costs within the overall budget this year through vacancy management and the use of income.

Schools Budgets 2014-15

- Collectively twelve schools have set in year deficit budgets. Of these ten have funds previously carried forward which will be used to balance their budget. This leaves two primary schools with agreed licensed deficits and one secondary school with an ongoing deficit. A number of schools are projecting to draw on school reserves this year which it is forecast will result in a decrease in school reserves of £750k.

Policy & Resources Directorate

- 3.5. The directorate is currently forecasting an underspend of £50k arising from vacancy savings in Human Resources. Legal Services, Financial Services and Business Support are all forecast to breakeven.

Places Directorate

- 3.6. The directorate have a continuing net overspend of £0.9m, as reported in the September budget review.

Customer Services

- The Customer & Information Service and Sports, Leisure & Culture service budgets are forecasting an overspend of £67k. This relates primarily to additional premises costs.

Community Services

- There is a forecast overspend of £651k. Additional costs primarily relate to improved recycling via the 'burgundy bins', increased waste tonnages and non implementation of policy changes in respect of trade waste which are estimated at £494k. There is a further pressure of £395k on fleet and transport expenditure which relates primarily to the additional cost of home to school transport following changes in the National Eligibility Criteria. Income pressures of £118k also exist on the Neighbourhood services, Urban Response Team. These overspends have been partially offset by additional income resulting from the implementation of the free school meals initiative in September 2014 and general saving from the Resources service

Technical & Environmental services

- The service is forecasting a £144k overspend. The overspend is due to an underachievement of contract income of £177k at the Security Centre and £185k reduction in income following the implementation of the various free

parking initiatives. This is partially offset by an underspend of £218k in relation to staff management savings within Environmental Health, additional income from Trading Standards and Licensing and small general savings across the service.

Planning & regeneration

- A balanced budget is anticipated.

Strategic Projects

- It is anticipated that there will be a cost reduction of £73k as the BSF project comes to an end. This project is currently financed from reserves.

The Directorate continues to work on managing their budget shortfall and services are seeking to put action plans in place to assist in this process.

The above position assumes that additional costs of £94k relating to service transformation will be funded from the contingency budget provision held within Central Budgets for this purpose.

Central Budgets

3.7. The budget is forecast to underspend by £1.26m.

Corporate & Miscellaneous

- A balance position is forecast. It is anticipated however that there will be a reduction in the required contribution to the insurance provision of £146k due to reduced commitments. In addition a £50k saving is to be made from subscriptions and other supplies and services. Offsetting these savings is a £196k overspend forecast on the business rate levy charge payable for 2013/14.

Capital Financing

- It is projected that additional income of £25k from investment of cash flow funds will be achieved.

Contingency

- The contingency fund is forecast to underspend by £1.23m. Of these there are permanent budget savings of £0.3m following a reduction in the anticipated level of the minimum wage increase and £0.25m resulting from a reduced call on the energy inflation provision. There are also one year savings of, £0.56m from capital financing savings moved to contingency as part of the September Budget Review and £0.12m in relation to a saving on the 2014/15 pay award.

Use of Reserves

- In line with the saving made on the Strategic Project Team (reported above) there is a reduction of £73k in the use of reserves.

Public Health

- The service are currently forecasting a budget underspend of £0.6m relating primarily to staff vacancies, reduced cost assumptions and

contract refunds and savings. Currently it is hoped that £0.27m of these savings will be made available to finance public health related issues across the council. This saving is predicted to be one year only with the balance being returned to the Public Health earmarked reserve. In future years it is projected that the Public Health grant will be over committed. It is anticipated however that in 2015/16 there will be sufficient earmarked reserves to help fund all the service commitments.

Government Funding

- The council has received notification of an increase of £45k in the level of Education Support Grant which is held in the central fund.
- The Autumn Statement 2014 also identified a reduction in the level of the Revenue Support Grant (RSG) to be held back by central government. As a result of this the council is to receive an additional £86k of RSG in 2014/15.

Savings Monitor 2014-15

3.8. 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 £8.36m of savings will be achieved of which £1.7m 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.

3.9. 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, 10.8 fte's through voluntary redundancy or retirement, 5 fte's from redeployment and 1fte from compulsory redundancy. This represents 83.6% of the targeted saving.

Capital 2014/18

3.10. The approved capital programme for 2014/15 totals £93.5m with further planned expenditure of £62.7m over the next 3 years. This includes major investment in schools, the University Technical College, highways, recreation facilities, intermediate care, flood protection and job creation through the Regional Growth Fund.

3.11. The latest monitoring position for 2014/15 suggest that £37.2m (40.2%) of the budget has been spent to date, with £55.3m of programme expenditure remaining to be achieved. Of this directorates have identified £11.3m of programme rephasing to later years. Details of the main schemes involved are as follows;

3.12. The Main items of slippage are:

- Brigg Recreation Ground £2.95m: Confirmation of external funding to support the council's contribution is still awaited.

- UTC – Construction £1.6m; the project expenditure has been rephased. This should not however effect the project completion date.
- Housing Units Town Houses £1.5m; Plans are still in the development stage.
- Housing Schemes £0.6; Scheme completion has now been delayed until 2015/16
- BaE Training Academy £0.6m; Slippage will be required due to the delayed commencement of the scheme. The project remains on target to meet its completion date.
- Westcliffe Regeneration £0.5m; Final plans are to be submitted to Cabinet in January 2015, with a view to planning permission being sought in April 2015.
- Ancholme River Path, Brigg to South Ferriby £0.5m; the next stage of the project is to be completed when external funding is confirmed.

3.13. In addition to these changes it is proposed that savings of £0.88m from existing schemes should be re-designated to cover identified pressures and to finance newly supported schemes commencing in year.

These include:

- “Splash Pads” at Normanby Hall (£400k) and Central Park (£100k).
- £143k to cover additional costs of establishing the Highways Depot at Billet lane.
- To support the Intermediate Care Unit development.

3.14. The People Directorate are also seeking to increase capital expenditures through use of £523k of revenue funding for the following schemes;

- Formula Capital Devolved to Schools and Schools & Children’s Centres £42k; Contributions from Leys Farm Juniors, Wroot Travis and Broughton Primary Schools.
- Intermediate care Unit £71k; a contribution is to be made towards the cost of additional car parking at the unit from one-off additional Adult Services monies.
- Community Provision £410k: This is to be funded from one-off additional monies approved for 2014/15.

3.15. The BSF project is now drawing to a close and it has successfully met its objectives while achieving a financial saving of £985k in 2014/15, although a small element of retention will be required. It is proposed that £0.5m of this allocation be transferred to the Schools & Children’s Centre Investment budget to cover a shortfall in the approved budget.

3.16. Following the submission of a joint cabinet member report, approval has been given for the purchase of land at Midland Road for the construction of a council owned and operated Waste Transfer station. The capital cost of this scheme is £6.425m and is to be added to the existing programme and phased as follows;

2014/15 - £1.34m
2015/16 - £3.62m
2016/17 - £1.37m
2017/18 - £0.94m

- 3.17. An additional fully grant funded scheme of £600k has been added to the programme in respect of repairs and renewals for residents suffering flood damage. The government scheme is designed to provide residents with grants up to £5k for the purpose of buying and installing new measures to reduce the chance of flooding or limit the damage.
- 3.18. Following a submission of a report to the Highways and Neighbourhood Cabinet member meeting initial approval was received for the drawdown of £80k of Earmarked Scunthorpe Special Expenses reserves in order to finance drainage and renewal of play equipment at Healey Road Playing Field. It is proposed that the funding would provide a revenue contribution to fund these capital works in 2015/16 financial year.
- 3.19. The revised programme and funding details are shown by Directorate in Appendix 2 and by scheme in Appendix 3.

4. ANALYSIS OF OPTIONS

- 4.1. There are two options for the revenue budget, for directorates to continue managing their budgets within their approved levels or for funding to be realigned.
- 4.2. At present it appears that the level of savings from across the directorates and from central budgets is adequate to offset forecast overspends. Work continues to be undertaken by the Places Directorate to contain challenges and manage down their overspend. Significant work has already been undertaken by the Directorate and it now appears unlikely that these overspends can be contained within their approved budget.
- 4.3. The savings made by other directorates remain marginal, while the extent of challenges currently being dealt with is clearly more extensive. It would therefore seem premature to make saving adjustments against the directorate budgets at this time.
- 4.4. The retention of funds from capital financing savings within the contingency at the time of the September review appears now to have been justified and it would appear reasonable to use these and other contingency savings to balance the budget.
- 4.5. Use of contingency savings only represent a short term solution as some funds are only available on a one year basis, with permanent savings already being committed in the financial plan in later years. It is suggested that any resulting contingency savings should be retained to contain any additional challenges that may arise.

- 4.6. An adjustment should be made to the use of reserves budget to reduce the level of funding made available to the Strategic Project Team in line with their cost reduction.
- 4.7. The impact of the proposed changes outlined in at 3.9 to 3.18 increase the capital programme by £9.6m. Of this £3m is funded from additional grants and external funding, £0.6m from additional revenue contributions and £5.98m from internal resource. The programme continues to assume that £3m of capital receipts will be available annually as part of the internal funding requirement.
- 4.8. Scheme rephasing is a necessary requirement if the capital programme is to be completed in accordance with the current schemes approvals. The slippage of £3.79m of internally funded schemes and other programme changes will reduce the revenue capital financing cost by approximately £0.26m in 2015/16. The overall increase of internally funded schemes, which includes the Waste Transfer Station, will however increase revenue capital financing costs by £0.54m in later years.
- 4.9. The Programme at Appendix 2 currently takes no account of new proposals or the addition of 2018/19 schemes to the capital programme. These are to be considered as part of the report to Council in February.

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 2014/15
- 5.2 The implications of the changes proposed to the capital programme are considered in 4.6 to 4.7.

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

- 6.1 No direct implications

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

- 7.1 Not required

8. RECOMMENDATIONS

- 8.1 To approve the revised revenue budget at Appendix 1
- 8.2 To approve the revised capital programme at Appendix 2 and 3
- 8.3 To note the progress made in achievement of the budget savings at 3.7 to 3.8.

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Background Papers used in the preparation of this report

Budget Monitoring report Period 8

Directorates Capital 1 (CAP1) review returns