



**Policy and Performance - Transformation and Resources
Committee**

Tuesday, 22 March 2016

REPORT TITLE:	FINANCIAL MONITORING 2015/16 QUARTER 3
REPORT OF:	Strategic Director: Transformation and Resources

REPORT SUMMARY

This report sets out the financial monitoring information for Transformation and Resources in a format consistent across the Policy and Performance Committees. The report aims to give Members the detail to scrutinise budget performance for the Directorate. The financial information is for Quarter 3 (October-December 2015) and was reported to Cabinet on 22 February 2016.

RECOMMENDATION/S

1. That the forecast year end underspend of £3.45 million in the Transformation and Resources 2015/16 Revenue Budget position and actions taken during quarter 3 be noted.
2. That the capital expenditure position at the close of quarter 3 totalling £3.6 million against a revised Capital Programme of £7.3 million be noted
3. Members are requested to review the information presented to determine if they have any specific questions relating to the budget for the Transformation and Resources Directorate.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

1.1 To ensure Members have the appropriate information to review the budget performance of the directorate.

2.0 OTHER OPTIONS CONSIDERED

2.1 This is a monitoring report but any options to improve the monitoring and budget accuracy will be considered.

3.0 BACKGROUND INFORMATION

3.1 CHANGES TO THE AGREED BUDGET

3.1.1 The 2015/16 Budget was agreed by Council on 24 February 2015; any increase in the Budget has to be agreed by full Council. Changes to the Budget since it was set are summarised in Table 1.

Table 1: 2015/16 Original & Revised Net Budget by Directorate £000's

	Original Net Budget	Approved Budget Changes Prior Qtrs	Approved Budget Changes Qtr 3	Revised Net Budget
Transformation & Resources	31,947	-797	-110	31,040
Net Cost of Services	31,947	-797	-110	31,040

3.1.2 The main budget movements in quarter three relate to adjustments within the support services budget. These adjustments have no effect on the net bottom line of the council as a whole.

3.2 PROJECTIONS AND KEY ISSUES

3.2.1 The projected outturn position as at the end of December 2015, key issues emerging and Directorate updates are detailed in the following sections.

Table 2: 2015/16 Projected Budget variations by Directorate £000's

Directorates	Revised Budget	Forecast Outturn	(Under) Overspend Quarter 3	RAGBY Class	Change from prev
Transformation & Resources	31,040	27,590	-3,450	Y	-450
TOTAL	31,040	27,590	-3,450		-450

The report classifies the forecast under/overspends for the above areas using a colour RAGBY rating. The ratings are defined as follows:

- *Extreme: Overspends Red (over +£301k), Underspend Yellow (over -£301k).*
- *Acceptable: Amber (+£141k to +£300k), Green (range from +£140k to -£140k); Blue (-£141k to -£300k).*

3.3 DIRECTORATE UPDATES

Transformation & Resources

- 3.3.1 The projected saving has increased by £0.45 million in quarter 3 to £3.45 million. The increase is mainly due to increased vacancies within the directorate. The major element of the existing underspend (£2.5 million of the overall total) is within Treasury Management. This is from the continued use of internal cash flow to delay external borrowing and projected slippage within the Capital Programme (which delivers one-off in year savings). Other savings have arisen from continued vacancies during the year across a number of service areas.
- 3.3.2 In respect of Treasury Management, external borrowing to fund capital investment has been delayed through temporarily funding the 'borrowing' using cash flows derived from reserves and other balances. This policy whilst 'losing' investment interest receivable (average 0.5%), saves an average 3.5% on borrowing costs plus delays any principal repayment. External borrowing will need to take place eventually to fund past programmes either at the point when reserves/cash flow is utilised and/or to lock into lower rates before interest rates rise. Economic data and Bank of England Monetary Policy Committee announcements now make interest rate increases in 2015/16 unlikely. Therefore the timing of borrowing has been delayed to produce increased in year and one-off Treasury Management savings.

3.4 IMPLEMENTATION OF SAVINGS

- 3.4.1 The delivery of the agreed savings is key to the Council's financial health and is tracked at both Council and Directorate level. The Budget for 2015/16 originally included £38 million of efficiency measures and it was recognised that the delivery of the savings, particularly within Adults and Children's Services was challenging being more of a transformational / change nature. Cabinet in July agreed the reprofiling of £9.6 million of savings funded from earmarked reserves (£5.4 million) and General Fund Balances (£4.2 million) which was confirmed by Council 12 October.

Table 3: Budget Implementation Plan 2015/16 (£000's)

BRAG	Number of Options	Approved Budget Reduction	Amount Delivered at Dec 15	To be Delivered
B - delivered	8	2,578	2,578	0
G – on track	3	192	152	40
A - concerns	6	1,170	777	393
R - high risk/ not achieved	0	0	0	0
Total at Dec 2015-16	17	3,940	3,507	433

- 3.4.2 The savings tracker contains an assessment of the 2015/16 savings. Cabinet 27 July agreed that £9.6 million of savings be moved into 2016/17 with funding from earmarked reserves and General Fund balances.

3.5 INCOME AND DEBT

- 3.5.1 Revenue and Income falls into four broad areas for reporting purposes. Amounts raised and collected in the year are shown below.

Table 4: Amount to be collected in 2015/16

	2015/16	2015/16	
	Collectable	Collected	%
	£000	£000	
Council Tax	140,136	114,253	81.5%
Business Rates	71,349	58,385	81.8%
Fees and charges – Adults & Children	40,735	25,181	61.8%
Fees and charges – all other services	43,939	32,551	74.1%

COUNCIL TAX

- 3.5.2 Compared with December 2014 the collection performance is down by 0.9% and recovery action is well under way. Nationally collection is also down.
- 3.5.3 The major change this year relates to the full removal of the local Pensioner Discount for 2015/16. This affected 11,482 Band A-D, 70+ households who previously received a 5% discount. In 2014/15 the discount from Band E-H households was removed with a reduction in the discount from 7.76% to 5%.

BUSINESS RATES

- 3.5.4 Compared with December 2014 the collection performance is slightly down by 0.6%.
- 3.5.5 The Government has undertaken a fundamental review of Business Rates including consultation with interested parties. It indicated that any changes would need to raise the same amount as Business Rates does now, some £26 billion and the preference was for a property based tax. The outcome of the review is expected to feature in the Government Budget 2016.
- 3.5.6 The Provisional Local Government Finance Settlement announced in December 2015 confirmed that Revenue Support Grant will be phased out but from 2020 Councils will keep all the Business Rates they collect. Further detail is awaited and the CLG Committee has called for submission of evidence as to how proposals will impact on local authorities. Under the existing arrangements Wirral currently receives a 'top-up grant' from Government and receives more than is currently collected in Business Rates.

DEBTORS

- 3.5.7 At the end of December 2015 the arrears stood at £23.6 million which compares to £19.4 million at December 2014. A large element of this increase

(£1.7m) relates to a small number of large Merseyside Pension Fund invoices raised to Pension Fund employers at the end of the period and therefore showing as outstanding when the quarter closed. There has also been an increase in debt outstanding relating to Families and Wellbeing – however £1.1 million of this increase was debt which of less than 10 days old at the reporting date. Recovery action continues to be undertaken to minimise arrears and additional temporary staff will support this work.

3.6 PERFORMANCE AGAINST CAPITAL BUDGETS QUARTER 3

3.6.1 Capital Programme 2015/16 at end of Quarter 3 (31 December)

	Capital Strategy	Revisions Since Budget Cabinet	Revised Capital Programme	Actual Spend December 2015
	£000	£000	£000	£000
Transformation Resources	10,556	-3,258	7,298	3,663
Total expenditure	10,556	-3,258	7,298	3,663

3.6.2 Transformation and Resources

Solar Campus - work is complete;
 South Annexe - building works are almost complete;
 North Annexe – any work will be put on hold for now depending on the outcome of the overall office rationalisation review;
 Old Market House – lease terms with Land Registry have been renegotiated.

Parks Rationalisation - the review of Parks and Open Spaces has been completed. This together with the outcome of public consultation regarding the budget proposals will partly determine the level of capital expenditure required

The Secretary of State for Education has requested further information to support the application for the disposal and change of use of the former Rock Ferry High School.

The I.T. development programme is focused on modernising the Council's I.T. capability. The move to Windows 7 and upgrade of pcs is largely complete although there may be some residual costs incurred. Further development includes upgrading servers and the Council e- mail system which is currently in progress. Negotiations are also under way regarding the development and location of a data centre to provide enhanced coverage and reduce IT system and data risks.

4.0 FINANCIAL IMPLICATIONS

4.1 In respect of the Revenue Budget the Transformation and Resources Directorate is projecting a £3.45m underspend as at the 31 December 2015.

5.0 LEGAL IMPLICATIONS

5.1 There are no implications arising directly from this report.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

6.1 There are no IT, staffing or asset implications arising directly out of this report.

7.0 RELEVANT RISKS

7.1 There are none relating to this report.

8.0 ENGAGEMENT/CONSULTATION

8.1 No consultation has been carried out in relation to this report.

9.0 EQUALITY IMPLICATIONS

9.1 This report is essentially a monitoring report which reports on financial performance.

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APPENDICES

Annex 1 Revised Capital Programme and Funding 2015/16

REFERENCE MATERIAL

Not applicable.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Regular financial monitoring reports for Revenue and Capital have been presented to Cabinet since September 2012.	

Annex 1 Revised Capital Programme

Transformation & Resources	Revised Programme £000	Spend to Date £000	Council Resources £000	Revenue/ Reserves £000	Grants £000	Total Funding £000
Building refurbishment to increase occupancy	2,000	1,662	2,000	-	-	2,000
Fund to assist land assembly and re-sale	587	165	587	-	-	587
Cleveland St. Transport Depot	315	127	315	-	-	315
Park depots rationalisation	520	145	520	-	-	520
Energy efficiency Initiatives	596	360	596	-	-	596
Demolish Stanley Special & external renovation work	150	150	150	-	-	150
Demolish Foxfield	126	103	126	-	-	126
CCTV Cameras and other equipment	100	-	100	-	-	100
I.T. development	2,904	891	2,904	-	-	2,904
	7,298	3,663	7,298	-	-	7,298