
Meeting: Executive
Date: 15 July 2014
Subject: March 2014 – Revenue Budget Monitoring Provisional Outturn Report (Subject to Audit)
Report of: Cllr Maurice Jones, Deputy Leader and Executive Member for Corporate Resources
Summary: The report sets out the provisional financial outturn position for the General Fund (subject to audit) for 2013/14 as at the end of March 2014. It excludes the Housing Revenue Account which is subject to a separate report.

Advising Officer: Charles Warboys, Chief Finance Officer
Contact Officer: Charles Warboys, Chief Finance Officer
Public/Exempt: Public
Wards Affected: All
Function of: Executive
Key Decision Yes
Reason for urgency/ exemption from call-in (if appropriate) Not applicable

CORPORATE IMPLICATIONS
<p>Council Priorities:</p> <p>Sound financial management contributes to the Council's Value for Money and enables the Council to successfully deliver its priorities. The recommendations will contribute indirectly to all 5 Council priorities.</p> <p>Financial:</p> <p>1. The financial implications are set out in the report.</p> <p>Legal:</p> <p>2. None.</p> <p>Risk Management:</p> <p>3. None.</p>

Staffing (including Trades Unions):

4. Any staffing reductions will be carried out in accordance with the Council's Managing Change Policy and in consultation with the Trades Unions.

Equalities/Human Rights:

5. Equality Impact Assessments were undertaken prior to the allocation of the 2013/14 budgets and each Directorate was advised of significant equality implications relating to their budget proposals.

Public Health:

6. None.

Community Safety:

7. None.

Sustainability:

8. None.

Procurement:

9. None.

Overview and Scrutiny:

10. The Revenue Budget Monitoring Provisional Outturn report will be considered by the Corporate Resources Overview and Scrutiny Committee on 29 July 2014.

RECOMMENDATIONS:**The Executive is asked to approve:**

1. **the outturn position which is an underspend of £0.6m. This enables a contribution to reserves to be made, thus strengthening the Council's long term financial position; and**
2. **the proposed transfers to the General Fund Reserve as set out in section 54.3 and Earmarked Reserves as set out in Appendix A to the report.**

Reason for Recommendations: *To facilitate effective financial management and planning.*

Executive Summary

11. The report sets out the provisional financial outturn position for 2013/14 based at the end of March 2014. Further explanations are set out in Appendices A - C. This report enables the Executive to review the overall financial outturn position of the Council, which is subject to audit.

KEY HIGHLIGHTS

12. In Summary

- The 2013/14 provisional revenue outturn is an underspend of £0.6m.
- Efficient management of the Council's finances has enabled additional contributions to general and earmarked reserves, which will facilitate the Council's response to future reductions in funding.

13. Directorate forecast outturn variances

The full year outturn for Directorates as at March, after proposed use of existing and creation of new reserves is a £0.6m underspend. The following are the key areas:

- Social Care Health and Housing £0.07m above budget.
- Children's Services £3.5m above budget.
- Community Services £0.1m below budget.
- Regeneration £0.4m below budget.
- Improvement and Corporate Services £1.8m below budget.
- Corporate Costs and Contingency £1.8m below budget.

DIRECTORATE COMMENTARY

14. **Social Care, Health and Housing**

15. The general fund position for the directorate at outturn is an overspend of £0.065m (0.1%) as at the end of March (£0.1m underspend forecast for February 2014) after the use of existing and new proposed earmarked reserves (EMR). The outturn result includes new proposed EMR of £0.8m relating to Deprivation of Liberty Safeguards and also £0.5m to contribute to the costs of bringing the BUPA Care Homes back in house.

Month: March 2014					
Director	Budget	Actual b/f Use of Reserves	Net Use of Reserves	Total Act inc Net of Reserves	Variance
	£000	£000	£000	£001	£000
Social Care Health and Housing					
Director of Social Care, Health, Housing	190	230	-	230	40
Housing Management (GF)	1,516	1,047	-	1,047	(469)
Adult Social Care	59,356	59,438	1,393	60,831	1,475
Commissioning	12,424	11,767	264	12,031	(393)
Business and Performance	(7,585)	(8,140)	(33)	(8,173)	(588)
Total Social Care and Health	65,901	64,342	1,624	65,966	65

16. Housing Management underspent by £0.469m mainly due to underspends in Homelessness and Local Welfare Provision for which £0.34m has been provisionally earmarked as a reserve to counter the effects of Welfare Reform and the withdrawal of funding from 2015/16 onwards.

17. Provision of "Crisis Loans" and "Community Care Grants" were devolved to local authorities from Department of Works & Pensions (DWP) from April 2013. The Council received a grant of £0.431m consisting of £0.356m programme funding and £0.075m administrative funding. The Council scheme is called "Local Welfare Provision", with Emergency Provision replacing the former crisis loans and Grant Provision replacing Community Care Grants, the criteria being based broadly on the DWP system.
18. There have been substantial efficiency savings in the delivery of the service compared with DWP. This has contributed to the low level of expenditure; however the cost of temporary staff during the launch period has exceeded the administrative funding. The overall efficiencies are in line with those experienced by other local authorities in this area.
19. The Adult Social Care service is showing an overspend of £1.475m after use of reserves. Within this division is the risk of increases in the Older People and Physical Disability package costs. People are living longer and the costs of dementia are on the increase. Demographic pressure of £1.75m has been built into the budget with a number of former self funders requiring Council support. This was offset however by the efficiencies targets for this area totalling £2.8m.
20. Care Package budgets within Adult Social Care saw an overspend of £1.5m on 65+ age group, with residential spot placements contributing £2m to this position. For other care packages there were underspends on Physical Disabilities (£0.134m), Learning Disabilities (£1.36m) and overspends on Mental Health (£0.091m).
21. In respect of former self funders, these continued to exert pressure on residential and nursing placements budgets. Thirty have required council support during 2013/14 at a cost of £0.269m (with a full year effect into 2014/15 of £0.505m). Given the current financial climate this trend is unlikely to diminish and will also need to continue to be closely monitored during next year.
22. The Reablement service achieved significant reductions in care hours during 2013/14 - 2,424 hours which is an in year saving of £0.357m with a projected full year effect of a saving of £0.388m. Further work is being undertaken to examine the return on investment that the Reablement service provides across the short to medium term.
23. Within Learning Disabilities, there were approximately 60 young people in transitions who required Social Care funding. Of the additional budget of £1.149m provided to cover the impact of new customers in 2013/14, this was almost fully used. Significant levels of Continuing Health Care funding were achieved totalling £0.995m.
24. In addition within Learning Disabilities, the cost of the Ordinary Residence rules continued to be seen but due to delays in respect of a major de-registering provider, the reserve for these costs is still available in 2014/15.

25. The outturn for the Commissioning service was an underspend of £0.393m (£0.502m forecast in February). The key variances after reserves were the underspends of £0.2m on the dementia premium budget, £0.264m on Learning Disability transfer contracts with the balance across a range of contracts and Service Level Agreements.
26. The outturn for the Resources division was an underspend of £0.588m (February £0.439) the majority of which relates to a projected over achievement of the customer contributions budget.
27. HRA is subject to a separate report.
28. **Children's Services**
29. Children's Services net expenditure budget for 2013/14 is £39.205m. The provisional outturn position (after use of and proposed transfer to reserves) for 2013/14 is £3.5m overspend. Quarter three reported a forecast overspend of £2.622m, so there is an increase to overspend of £878k.
30. This is mainly due to earmarked reserves of £1.230m (Fostering Fee Scheme £998k and Children Centres £232k) set aside to address pressures raised in the Medium Term Financial Plan (MTFP) for 2014/15 and 2015/16, and a £200k reserve for the Children's and Families Act development. This has been offset by further savings from within the directorate of £552k. Had the pressure for the Directorate not been managed in year by reserves set aside from the 2012/13 financial year the total overspend would be £7.9m.

Month: March 2014					
Director	Budget	Actual b/f Use of Reserves	Net Use of Reserves	Total Act inc Net of Reserves	Variance
	£000	£000	£000	£001	£000
Children's Services				-	
Director of Children's Services	193	255	94	349	156
Children's Services Operations	28,866	32,614	(1,349)	31,265	2,399
Commissioning & Partnerships	4,432	3,818	77	3,895	(537)
Joint School Commissioning Service (Transport)	7,012	7,664	(50)	7,614	602
Partnerships	610	627	(27)	600	(10)
School Improvement (incl Music)	1,218	(590)	1,725	1,135	(83)
Total Children's Services (ex Schools / Overheads)	42,331	44,388	470	44,858	2,527
DSG Contribution to Central Support	(1,567)	(718)	-	(718)	849
ESG Contribution to Central Support	(1,558)	(1,434)	-	(1,434)	124
Total Children's Services (excluding Schools)	39,206	42,236	470	42,706	3,500

31. The overspend of £3.5m after use of reserves, is mainly due to Children in Care and Intake and Assessment (£992k), Fostering and Adoption (£1.9m), Transport (£602k) and the ability for the Dedicated Schools Grant allocation to be set against allowable services (£848k). Academy conversions have also impacted the overspend (£125k) as Education Services Grant reductions take place periodically through the year with each transfer.

32. The tables below reflect the increased number of Looked after Children (LAC) and related placement costs.

	Total March 2013	Total March 2014	% increase / (decrease)
Number of LAC	254	273	7%
In House Placements	93	96	3%
Independent Placements	90	109	21%
Child Protection Plan	266	196	(26%)
Children in Need	1669	1508	(10%)
Number of Referrals (YTD)	2330	2598	12%

Placement Type	March cost per placement
Average Cost per Placement*	£3,437
Highest Cost Placement (Residential CWD)	£25,093
Lowest Cost Placement (externally funded)	£0

*Placements total 272, however the average cost per placement includes 20 no cost placements. The lowest cost placement excluding externally funded is £668 per month.

33. The savings in the final quarter of 2013/14, to manage the in year pressure, have been as a result of additional income, salary savings, discretionary spend and demand led activities being less than forecast. A planned £188k saving from within Children With Disabilities and Workforce Development have been put forward as reserves to meet expected spend in 2014/15.
34. Central Bedfordshire Council's Adoption Reform Grant allocation of £555k for 2013/14 is to provide support to Local Authorities with the implementation of the reforms. The main allocations for the grant are as follows:-
- Pilot a 'fostering for adoption' project.
 - Increase legal capacity.
 - Increase Social Work capacity by 2fte to assess adopters.
 - Support for Children's life story work, an important part of fostering and adoption support to ensure a successful placement.

35. There have been £4.595m transfers to Reserves as follows;

MTFP Pressures

- Foster Carer's Fee Scheme 2014/15 and 2015/16 £998k (funded in MTFP).
- Children's Centres Co-location 2014/15 and 2015/16 £232k (funded in MTFP).
- Children's & Families Act £200k.
- Central Bedfordshire Academy of Social Work and Early Intervention £118k.
- Completion of refurbishment Maythorn and South Hub £70k.

Grant Receipts

- Challenge Award £150k.
- Troubled Families Grant £304k.
- Assessed and Supported Year in Employment (ASYE) £7k.
- Assets of Community Value £13k.
- SEN Reform Grant – Support and Aspiration £65k.
- Dedicated Schools Grant £2.439M.

36. The Early Intervention Grant which funded £9.77m of core services in 2012/13 has now been subsumed into the Revenue Support Grant and is not separately identifiable for 2013/14. The main core services that this funded are as follows:

- Children with Disabilities Short Breaks.
- Early Years Workforce Development.
- Learning & School Support including Education Psychology, Access & Inclusion and provision for Looked after Children in the Music Service.
- Commissioning for Youth Service.
- Early Intervention & Prevention.

37. The Children's Services budget did not increase in line with the transfer to Revenue Support Grant due to the national reduction and two year old funding moving to the Dedicated Schools Grant. This has been managed in year by an Earmarked reserve of £1.193M and a funded pressure for 2014/2015.

38. **Community Services**

39. Community Services' overall financial position was £104k underspend after the use of earmarked reserves of £133k for one-off specific projects.

Month: March 2014					
Director	Budget	Actual b/f Use of Reserves	Net Use of Reserves	Total Act inc Net of Reserves	Variance
	£000	£000	£000	£001	£000
Community Services				-	
Community Services Director	251	186	-	186	(65)
Highways Transportation	13,658	13,511	287	13,798	140
Environmental Services	24,071	24,312	(420)	23,892	(179)
Total Community Services	37,980	38,009	(133)	37,876	(104)

40. Highways and Transport overspent by £140k.

- There was an overspend of £260k on fleet costs including maintenance and leasing costs due to an ageing fleet. Underspends on parking totalled £167k.
- Overspend of £65k as a result of over provision of services in the first term of operating the Oak Bank service and ongoing fuel and staffing issues. Work is being undertaken to review the service and costs.
- There were overspends on pothole repairs of £271k and £56k on winter maintenance, of which £26k relates to the additional salt bins. Underspend on bridges was £140k.
- Underspend on salaries of £217k due to vacant posts and superannuation has partly offset the overspends above.

41. Environmental Services underspent by £179k.

- Libraries have underspent by £167k, this is primarily against the staffing budget and mainly relates to unfilled vacancies and higher levels of staff churn in the first six months of the year following a Library Service Staffing re- structure.
- There was an underspend of £138k on Community Safety down to salary savings and one-off income being received.
- There were underspends on salaries of £27k on emergency planning and £38k on leisure services. Waste services underspent by £28k as a result of variation in tonnages of waste collected.

42. **Regeneration and Business Support**

43. Regeneration and Business Support were underspent by £441k (7.6%) after the use of and new proposed Earmarked Reserves (EMR) of £113k. The majority of this is due to the work on strategic planning documents within Development Housing spend being deferred to 2014/15. Underspends relating to ringfenced Adult Skills grants are proposed to be carried forward as spend will be incurred in 2014/15.

Month: March 2014					
Director	Budget	Actual b/f Use of Reserves	Net Use of Reserves	Total Act inc Net of Reserves	Variance
	£000	£000	£000	£001	£000
Regeneration and Business Support				-	
Director	536	506	-	506	(30)
Business Support & Skills	936	1,350	(402)	948	12
Planning	4,135	3,266	563	3,829	(306)
Programme Delivery	228	159	(48)	111	(117)
Total Regeneration and Business Support	5,835	5,281	113	5,394	(441)

44. Business Support and Skills overspent by £12k. Within that, the Adult Skills service proposes to transfer £482k to reserves as majority of expenditure is being deferred to 2014/15.
45. Planning underspent by £306k. The major elements of this are:
- Underspend on salaries of £188k due to vacancies, maternity leave and take up of pensions partly offset by overspend on temporary staff of £34k.
 - An underspend of £151k in development planning and strategic housing on professional fees as a result of delays to key strategic planning documents, including the Development Strategy, which were due to be at Public Examination in this financial year, but will now not reach examination until the new financial year.
46. Programme Delivery has achieved an underspend of £117k mainly due to lower consultancy costs.
47. **Public Health**
48. Public Health achieved budget after accounting for grant funding carried forward to 2014/15 and a contribution from Public Health to offset the Council's overheads.
49. An allowable element of the Public Health funding was used to make a contribution to offset the cost of relevant Council overheads. As this was unbudgeted it shows up as a forecast underspend (shown within Corporate Costs).

Month: March 2014					
Director	Budget	Actual b/f Use of Reserves	Net Use of Reserves	Total Act inc Net of Reserves	Variance
	£000	£000	£000	£001	£000
Public Health				-	
Director of Public Health	(8,643)	(8,862)	219	(8,643)	-
Assistant Director of Public Health	8,643	8,000	643	8,643	-
Total Public Health (Excl overheads)	-	(862)	862	-	-
Contribution to Central Support	-	-	-	-	-
Total Public Health	-	(862)	862	-	-

50. **Improvement and Corporate Services**

51. Improvement & Corporate Services (ICS) underspent by £1.8m after movement to and from earmarked reserves.

Month: March 2014					
Director	Budget	Actual b/f Use of Reserves	Net Use of Reserves	Total Act inc Net of Reserves	Variance
	£000	£000	£000	£001	£000
Improvement and Corporate Services				-	
Improvement and Corporate Services Leadership	204	354	(73)	281	77
Communications	887	855	150	1,005	118
Customer Services	1,924	2,070	-	2,070	146
Programme and Performance	550	550	(13)	537	(13)
Policy & strategy	165	134	-	134	(31)
Procurement	371	309	(10)	299	(72)
People	2,674	2,522	144	2,666	(8)
Information Assets	7,036	6,977	(57)	6,920	(116)
Legal & Democratic Services	3,807	3,613	61	3,674	(133)
Assets	6,225	4,822	(359)	4,463	(1,762)
Total Improvement and Corporate Services	23,843	22,206	(157)	22,049	(1,794)

52. Within Assets, the outturn position is an underspend of £1.8m. This is largely resulting from £1.0m additional income from the Farms Estate and £0.7m for rental & recharges. There were savings of £0.2m for Facilities and Maintenance services across the portfolio and a further £0.3m for the management of surplus properties.

53. The benefit of this increased income has been reduced by pressures of £0.3m for transformation and agency costs, and £0.1m for an unachievable efficiency and staff costs with the Capital Team operation.

54. Within Legal & Democratic Services there is a net underspend of £0.13m. This is due to additional planning income (-£0.1m), saving on Education Appeals due to bringing the service in house and additional DSG funding (-£0.1m), staff savings on Executive Support and lower than budgeted Canvass fees (-£0.1m), additional income and staff savings for Local Land Charges (-£0.2m), savings within Members' Costs (-£0.1m).

55. These savings have been reduced by staff pressures in Legal Services and unachievable vacancy factor (£0.3m), and increases of in court fees (£0.2m), largely resulting from additional demand from Children's Services

56. There is an outturn overspend of £0.15m in Customer Services due to additional staff costs in the Customer Contact Centre as a result of Your Space 2 relocation and less staff capitalisation than budgeted.

57. **Corporate Resources and Costs**

58. The full year budget of £16.2m is made up of:

- Corporate Resources £5.188m
- Corporate Costs £14.245m
- Contingency & Reserves (£3.234m)

The outturn is an underspend of £1.8m (14%).

Month: March 2014					
Director	Budget	Actual b/f Use of Reserves	Net Use of Reserves	Total Act inc Net of Reserves	Variance
	£000	£000	£000	£001	£000
Corporate Resources				-	
Chief Executive	299	304	-	304	5
Finance	5,301	3,454	1,552	5,006	(295)
Housing Benefit Subsidy	(412)	71	-	71	483
Total Corporate Resources	5,188	3,829	1,552	5,381	193
Corporate Costs				-	
Debt Management	11,710	10,988	-	10,988	(722)
Premature Retirement Costs	2,954	2,866	15	2,881	(73)
Corporate Public Health Recharges	-	(605)	-	(605)	(605)
Corporate HRA Recharges	(90)	(120)	-	(120)	(30)
Efficiencies	(329)	(97)	-	(97)	232
Contingency and Reserves*	(3,234)	(6,058)	2,018	(4,040)	(806)
Total Corporate Costs	11,011	6,974	2,033	9,007	(2,004)
Total Corporate Resources and Costs	16,199	10,803	3,585	14,388	(1,811)

59. Overall Corporate Resources were overspent by £0.2m. This is made up of:

- £0.3m saving in Revenues and Benefits as a result of receiving unbudgeted grant from central government for Welfare Reform.
- Pressure of £0.5m in Housing Benefit related transactions mainly due to net impact of final audit results of previous year's HB Subsidy claims.
- There was a pressure of £0.3m in Insurance income as a result of providing services to fewer schools as more become Academies and £0.5m due to higher than budgeted contribution to Insurance Reserve.

60. These have been mitigated by savings in a number of areas:

- £0.2m saving in Insurance due to reduced premiums (partly offset the volume reduction above).
- £0.1m higher than budgeted Insurance recharges to the HRA.
- £0.1m reduction in bad debt provision.
- £0.1m savings in Chief Finance Officer due to one off savings on supplies & services.
- £0.1m saving in Financial Performance & Support due to lower than budgeted staff costs and £0.1m saving in Audit staff costs as a result of vacancy savings.

61. In Corporate Costs there was a reduction of interest payable (-£0.4m), as a result of borrowing levels being lower than budgeted. There was also a reduction of Minimum Revenue Provision (MRP) of (-£0.3m). This is due to a lower than budgeted spend on the Authority's Capital Programme in 2012/13 (MRP is adjusted a year in arrears).

62. Also within Corporate costs was a contribution to overheads from Public Health £0.6m.

63. £0.2m Outturn pressure in Cross Cutting Efficiencies. There have been unachievable prior years' efficiencies in Channel Shift (£0.1m) and 2013/14 Customer First Efficiencies (£0.5m). These have been mitigated in part by a £0.4m saving due to unused superannuation increase budget provision.

64. A movement in number of Contingency and Reserve items has resulted in an underspend of £0.8m. This is made up of:
- A pressure of £0.1m as a result of Vacant Property Review carried out to optimise future years' New Homes Bonus.
 - Creation of a £1.0m earmarked reserve for future costs relating to "Great Places" in Central Bedfordshire.
 - An increase of £0.5m to the Insurance reserve.
 - Release of unused contingency of £2.1m and an unbudgeted grant (Capital Provision Redistribution Grant) of £0.2m received late in year.

65. **RESERVES POSITION**

Earmarked Reserves

- 65.1 The opening balance of EMR is £21.433m (Excluding HRA). The current reported position proposes the planned use of £6.8m EMR (used of offset expenditure), release of £0.065m (no longer required) and proposed transfer to EMR of £0.25m (budgeted).
- 65.2 In addition £7.6m of Grants received late in 2013/14 (includes £2.4m Dedicated Schools Grant related) and £5.4m of new proposed EMR are reflected in the outturn position.
- 65.3 This results in a proposed closing position of £27.8m EMR at year end an increase of £6.3m year on year - See Appendix A for details of which reserves have been used.
- 65.4 When recommending new proposed EMR to be carried forward to 2014/15 the following principles were followed:
1. Planned in the MTFP Strategy (i.e. there is an existing commitment approved by the Council).
 2. Ringfenced grants (therefore very limited discretion other than to make EMR).
 3. Grants in advance (received late in 2013/14 with spend planned in 14/15).
 4. New emerging issue (for example BUPA Care Homes).

General Reserves

- 65.5 The opening position for 2013/14 is £14.2m with a budgeted closing position of £13.8m. The provisional outturn underspend means that the budgeted draw down of £0.4m was not required and would result in a further £0.6m increase in General Fund reserves bringing the closing balance for 2013/14 to £14.8m.
- 65.6 Appendix B shows an assessment of the level of general reserves that the Council is advised to hold based on the risks identified.

66. Debtors

Debtors March 2014														
DIRECTORATE	1 to 14 Days		15 to 30 Days		31 to 60 Days		61 to 90 Days		91 to 365 days		1 year and over		Total Debt	
	£k	%	£k	%	£k	%	£k	%	£k	%	£k	%	£k	%
Social Care Health & Housing	1,340	22%	1,001	17%	1,574	26%	884	15%	672	11%	514	9%	5,985	100%
Children's Services	1,138	73%	329	21%	38	2%	5	0%	28	2%	11	1%	1,549	100%
Community Services	190	48%	140	36%	22	6%	10	3%	-38	-10%	69	18%	393	100%
Regeneration	482	20%	732	30%	-540	-22%	751	31%	124	5%	888	36%	2,437	100%
I.C.S	775	43%	466	26%	5	0%	-2	0%	399	22%	145	8%	1,788	100%
Finance	1	1%	50	35%	3	2%	26	18%	23	16%	40	28%	143	100%
Public Health	0	0%	0	0%	0	0%	0	0%	172	100%	0	0%	172	100%
Unallocated & Non Directorate	-2	3%	-4	6%	-1	2%	-3	5%	-51	77%	-5	8%	-66	100%
GRAND TOTAL	3,924	32%	2,714	22%	1,101	9%	1,671	13%	1,329	11%	1,662	13%	12,401	100%
PREVIOUS MONTH	2,534		3,845		1,442		492		1,796		1,707		11,816	

67. The largest items of note within the total debt are:

- Social Care General Fund debt at the end of 2013/14 stood at £6.0m of which £2.0m was house sales debt and £2.9m Health Service debt, which relates to the Clinical Commissioning Group and is due in relation to learning disabilities and older people. Of the remaining general debt of £1.1m, £0.866m (79%) is more than 60 days old. Of this, all is under active management (with solicitors, payable by instalments etc.) with 2% under query and none scheduled to be written off. Excluding Health and house sales debt, there are 27 debtors whose outstanding balance is greater than £0.010m. These are all under active management.
- The total debt for Community Services at the end of March was £393k. About 92% of debt is less than three months old. All debt recovery is in accordance with Council policy.
- Regeneration total debt at the end of February was £2.44m. Invoices relating to developers legal contributions to deliver planning requirements associated with new developments account for 78% of debt. About 58% of debt is less than three months old. All debt recovery is in accordance with Council policy.
- Total debt for Children's Services is £1.550m of which £44k is debt over 61 days.
- Public Health debt is £172k which is over 3 months old. This is under active management.
- Overall corporate debt (ICS/Finance) is £1.9m of which £1.3m is less than 30 days old. £0.6m of debt is over 30 days and is under active management.

68. **General Fund Debt Written Off**

69. The table below shows the number, value and average value of general fund debt written off during 2013/14. This is disclosed in line with our Financial Procedures.

	Number	Value	Ave Value
0 - £5k	537	£116,545.44	£ 406.08
£5k - £10k	5	£ 33,632.65	£ 6,726.53
£10k - £50k	11	£242,542.53	£22,049.32
Over £50k	0	£ -	£ -
	553	£392,720.62	£ 1,296.11
Q1	321	£105,594.00	£ 1,487.24
Q2	169	£122,164.89	£ 722.87
Q3	25	£ 82,450.84	£ 3,298.03
Q4	38	£ 82,510.89	£ 2,171.34
Full Year	553	£392,720.62	£ 1,296.11

70. Of the total amount written off in year, £204,677 relates to the debts of legacy authorities which are fully provided for (no impact on CBC 2013/14 outturn performance).

71. £188,043 of debt is related to CBC activity and is analysed as follows:

	2013/2014	
Category	Number	Value
Music	408	64,222
Commercial Rents	2	58,769
Residential Accommodation	12	22,377
Direct Payments	9	18,973
Void Inspections	3	13,093
Miscellaneous	42	10,607
TOTAL	476	£188,043

72. Any individual debts of £50,000 or more are subject to individual reporting to Executive. A rigorous procedure is followed to recover all debts before write off is considered and every write off is subject to appropriate authorisation.
73. Notwithstanding all efforts, there will always be some cases where further recovery is not possible. For example, of the above amounts, details are as follows:

Music Debts – although high in value as a total, the average debt is £157. Music lessons are stopped to prevent the debts escalating and debt recovery process includes sending the debts to a Recovery Agent and County Court Judgment if deemed viable but there is little success with small debts such as this.

Commercial rents – includes two cases of £22k and £12k respectively – both companies are insolvent and there is no prospect of recovery.

Residential accommodation – includes one case of £9k. The case was being dealt with by our external solicitors and the original debt being pursued was £18k. The family paid the moneys from the deceased's Estate to cover part of the bills and evidence was supplied that there were no further funds.

Direct Payments cases included 2 cases, one for £6k and one for £3k. Although payments were being made against the £6k, due to the personal circumstances of the debtor and no correspondence being received from them the debt is uneconomical to pursue further. In the case of the £3k debt, after completing land registry searches it was deemed this debt was uneconomical to pursue further.

Void inspections included one case of £12k that the debtor was declared bankrupt and therefore we could not pursue the debt.

74. **Borrowing**

75. As at 31 March 2014 the Council's total borrowing was £308m, of which £294.5m is Public Works Loan Board (PWLB) debt and £13.5m is Market Debt.
76. Over the year to 31 March 2014 £7.5m of PWLB debt matured and was redeemed from cash balances reducing overall debt from £315.5m at 31 March 2013.
77. The table below shows the split between the General Fund and the HRA.

	PWLB Fixed rate £m	PWLB Variable rate £m	Market (LOBO) fixed rate £m	Total £m
General Fund	97.0	32.5	13.5	143.0
HRA	120.0	45.0	0.0	165.0
TOTAL	217.0	77.5	13.5	308.0

78. Overall at 31 March 2014 the authority has 71% of Fixed rate PWLB debt, 25%, Variable rate PWLB debt and 4% Fixed rate Market debt as illustrated in chart A1 of the Treasury Management Performance Dashboard.

79. **Investments and Disposals**

80. When investing, the Council's main priorities remain security and liquidity, before yield. To diversify the investment portfolio the Council uses a range of financial institutions and arrangements, such as fixed term deposits, current accounts, notice accounts and Money Market Funds. Chart B1 in the Treasury management Performance dashboard shows the breakdown of investments and deposits by institution as at 31 March 2014.

81. Investments and deposits are fairly liquid as the Council's relatively low overall cash position is being applied to fund the capital expenditure programme and debt maturities

82. Chart B3 of the dashboard shows the maturity portfolio of the Council's investments and deposits.

83. As at the 31 March 2014, the Council had £6m of the internal investments held in call accounts and Money Market Funds (MMF), equating to 20% of all internal investments and deposits. Following recent reductions in the actual return payable in these accounts, greater use has been made of short term notice accounts and various fixed term deposits. In the final quarter there was no requirement to borrow short term to fund any dips in the cash flow. Currently the Council has deposits placed on varying interest rates between 0.30% and 0.71%.

84. In March 2014 one of the international credit rating agencies, Moody's, downgraded the long-term credit ratings of Royal Bank of Scotland and NatWest to Baa1. The new rating fell below the Council's minimum credit criterion for banks and other financial institutions of A-. The Council's Treasury team no longer makes investments with either RBS or NatWest; this restriction also extends to the Council's use of the NatWest Special Interest Bearing Account (SIBA) which has until now generated interest for any schools that operate NatWest accounts.

85. The Council will continue to bank with NatWest but cash balances will be maintained in the NatWest current account at a level proportionate to the smooth operation of the Council's payment systems which is required for day-to-day liquidity. The Schools were advised of the Council's position and the UK banks which currently meet the Council's acceptable credit rating criteria.

86. **Cash Management**

87. Over the year to 31 March 2014 the level of internal investments and deposits reduced from £36.7m to £20.1m. This is in line with the approved treasury strategy which is to defer long term borrowing by funding capital expenditure and debt maturities from existing cash balances.

88. The Council's deposits and investments represent cash held for both the HRA and the General Fund. At 31 March 2014 the balance of £20.1m reflected an estimated HRA cash position of £26.1m offset by a General Fund deficit of £6m.

89. **Outlook**

90. The UK Bank Base Rate is not expected to rise until 2015/2016 and the short-term rate of return on investments and deposits are expected to remain at very low levels.

91. Over the next financial year the Council plans to continue to use cash flow balances in lieu of borrowing to fund capital expenditure, and to fund small dips in cash flow by borrowing short term.

Appendices :

Appendix A – Earmarked Reserves

Appendix B – Balances & Reserves Assessment

Appendix C – Treasury Management