

Meeting: Executive
Date: 18 August 2009
Subject: Budget Management Report 2009/10 as at 30 June 2009
Report of: Portfolio Holder for Corporate Resources
Summary: This is the first budget monitoring report for Central Bedfordshire and it provides information on the budget position at 30 June 2009, together with indicative forecast out turn for 2009/10.

Advising Officer: Clive Heaphy, Director of Corporate Resources
Contact Officer: Matt Bowmer, Assistant Director Financial Services
Public/Exempt: Public
Wards Affected: All
Function of: Executive
Key Decision Yes
**Reason for urgency/
Exemption from call-in
(if appropriate)** This decision is urgent because the Executive needs to review the 2009/10 budget position to date and indicative forecast outturn before considering the Medium Term Financial Strategy.

RECOMMENDATIONS:

That the Executive be recommended to:

- a) Note the latest budget projections for the year and also that further work is required to establish the likely out turn for 2009/10.**
- b) Endorse the actions proposed to bring the Council's forecast spend in line with budget;**
- c) Request officers to undertake further detailed monitoring with particular emphasis on volatile demand led budgets.**

Reason for Recommendations: Council members asked that robust monitoring took place from day one so that corrective action could be taken. This was not only to ensure that spend was delivered to budget but also to ensure that the resources have been allocated appropriately.

1. Introduction

- 1.1 The report sets out the indicative financial position to the end of June 2009 and the forecast position at year end. Appendix A shows the net revenue position, Appendix B the capital position.
- 1.2 The 2009/10 budget is the first one produced by Central Bedfordshire and in approving the budget in February 2009, members were informed that the lack of operational history made it one of relatively high risk. The authority will have an estimated £15.4m of Transition Costs to repay over five years and these are funded from General Fund Balances. If spend is delivered to budget, these balances will be less than £3m at year end, only just over half of their target level. This along with the volatility of spend in demand led services in Adult Social Care were identified as the principal risks at the time and members asked that robust monitoring took place from day one. This was not only to ensure that spend was delivered to budget but also to ensure that the resources have been allocated appropriately.
- 1.3 Work has been undertaken by service managers and Financial Services to ensure effective budget monitoring and management. However, there is further work to do to ensure all budgets are adequately monitored and forecasts produced. In particular, potential areas of underspend still need to be identified and forecast to year end.
- 1.4 Finance staff have had to focus most of their efforts to date on work on the closure of accounts for the three predecessor authorities. Close down work indicates that the opening General Fund Balances for Central Bedfordshire will be marginally above the £14.960m forecast in the Budget agreed at Council on 26 February. A review is currently being undertaken to assess the adequacy and appropriateness of earmarked and general reserves together with provisions.

2. Executive Summary - Revenue

- 2.1 The work to date has produced indicative figures for the year 2009/10, showing potential overspends of between £5.9m and £7.9m. It must be stressed that figures are based on the initial three months of activity only and, as set out above, significant further work is required. Work to date has focussed mainly on possible overspends and more work is required to understand the full position in each service area.
- 2.2 There are a number of budgets where pressures have come about due to insufficient allocation as part of the "bottom up" disaggregation exercise to build the 2009/10 budget. It should be remembered that funding constraints limited the net available budget to £165.8m and funding would not have been available at that time to address these pressures had they been known. It is now essential that a corporate approach is taken to bring Central Bedfordshire's spending in line with the available budget.

2.3 The worst case scenario of £7.9m represents a 4.7% variation against Central Bedfordshire's net budget of £165.8m, although the gross budget is approaching £500m. Details by Directorate are set out in Appendix A. Given the level of low General Fund balances, this is a very challenging position for Central Bedfordshire. However, it is a position which has been brought to light early in the financial year which provides an opportunity for the necessary actions to be taken to bring spend in line with budget for the year end.

2.4 A more detailed commentary on the revenue forecasts for each of the directorates is set out in section 4 below. Children, Families and Learning have pressures of £2.0m, Corporate Resources £0.9m, Sustainable Communities £0.6m. However, the greatest pressures are being experienced in Social Care, Health and Housing where there is a potential forecast overspend of between £2.4m and £4.4m in Adult Social Care.

Adult Social Care

2.5 Meetings between finance and the Social Care, Health & Housing Directorate have identified that the Council has inherited a social care service that has consistently overspent over recent years. There is a £1.2m on-going overspend (from 2008/09) for funding care packages and a series of cost pressures which include:

- costs of approx £1m re learning disabilities staffing costs not included within the budget,
- full year effect costs of young people transferring to adult care services that are still being determined,
- efficiencies that were assumed within the budget to be delivered through improved contracting arrangements in domiciliary care that are unlikely to be realised as changes were not implemented and are unlikely to be.

2.6 There are further uncertainties in the performance of some of the block contract services with a dispute in progress in one service. It has not been possible for Finance and operational staff to accurately forecast activity for the budgets as a result of close down activity. It is necessary to be able to quantify the risk areas within the budget before considering any reductions to services for customers. There are a series of measures proposed within the report whilst a more accurate forecast is determined.

Transition Costs

2.7 The Transition budget is forecast to overspend in the region of £1.0m, however further work is required to establish the final position. Given that these costs can be repaid back over a period of up to five years there is some flexibility in that the Medium Term Financial Plan assumed a payback period of just over four years. However, the expenditure is backed up in the

short term against General Fund Balances which will be at a very low level at the end of 2009/10. The position here will need to be considered against the known position on the balances from the legacy authorities, including the review of the earmarked reserves.

- 2.8 An analysis of the payroll forecast shows that the forecast includes £1.5m for pay increases for 2009/10. These vary from 1.0% to 2.26%. Depending on the outcome of national pay negotiations, not all of this may be required. Analysis shows that if the increase was 1%, this would release £660k

3. Executive Summary - Capital

- 3.1 More comprehensive work in this area is necessary. There is a small forecast overspend of £0.4m against an adjusted budget of £68.7m (0.6%). This overspend forecast is in Sustainable Communities arising from compensation claims by the Ridgemont Bypass main contractor.
- 3.2 Actual spend to date of £5.3m, against a budget of £68.7m, reflects an initial slow start to the capital programme, reflective of the need for a review of schemes by the new Council. Details are shown on Appendix B.
- 3.3 The Capital Asset Management Group is reviewing the overall capital programme in light of the slippage of £5.6m (net of grant funded schemes), which has been brought forward from the three legacy authorities. The total slippage brought forward is £20.8m, including £15.2m funded from specific grants.

4. Detailed Revenue Analysis by Directorate

Business Transformation

- 4.1 Variances to date are a £38k under spend, against a budget for the first quarter of £1.6m. The full year forecast position is on target against a budget of £6.42 m.

Children's Families & Learning

- 4.2 The full year forecast position is £2m over budget against a budget of £38.0m. The main areas contributing to this £2m overspend pressure are Transport - £761k, Leisure & Culture - £597k (Countryside & Archives – £470k, Adult & Community Learning – £190k), Children Specialist Services £539k & Learning School & Support - £193k. Most of these pressures have arisen as a result of disaggregation and aggregation of the budget process resulting in an under apportionment of resources in comparison to actual activity/responsibility versus Bedford Borough Council. Management action and emphasis will however have to be placed on how best to mitigate these overspends within the cash limits and efficiency targets at the first instance within the service and then within the directorate.

4.3 Key Management Actions –

- To ensure actual salary costs are allocated to the correct cost centres, in order to allow for pay pressures, vacancy savings and variances to be identified and built into forecasts accordingly. Finance /HR to ensure completion of this exercise in August, with confirmed structure charts and mapping by September.
- Forecasts need to be entered for all budgets. Salary forecasts need to reflect any vacancies, both to date and ongoing. It should not be assumed that individual services can spend this elsewhere, without senior manager approval. Posts have been held against the vacancy savings target of 5% and to pay for additional spend to be met within existing resources.
- Transport requires urgent review with a view to addressing the projected £761k forecast deficit. Eligibility, commissioning and procurement are to be reviewed to ensure forecasts are accurate and incorporate best estimates and that VFM is being secured. Mainstream routes are to be re-tendered to commence in September and January and SEN routes to commence in September. The results of this will feed into future forecasts. A review of routes, with a view to rationalisation where possible, is being carried out on SEN transport.
- Countryside & Archives has an overspend of £470k, due to incorrect budget build and Adult and Community Learning has an overspend of £190k, due to a loss of income, reflecting the reduction in take up, due to the current economic situation. There will be some vacancy savings against the forecast – this will be reflected in July. There is £63k to be vired from Leisure, which is currently showing a saving in this area.
- Learning School & Support forecast a deficit of £193k. An action plan is required to mitigate budget pressures for this year and 2010/11. Income targets, set against deleted posts, will be offset by underspend in Children's Workforce Development. The virements will be actioned in due course, subject to appropriate approval. The use of grant income, including standards fund will be used to offset overspend, where possible and vacancies are being held to offset other staffing pressures.
- Close scrutiny of forecast by AD's/Heads of Service in conjunction with Finance to ensure forecasts reflect realistic projections to be met within the cash limits of each service area, whilst also releasing/reflecting efficiency savings and underspends.
- Close review and monitoring of Joint Strategic Commission Service budgets that contain mainly demand led budgets constituting high risks and easily subject to change.

- Variances to date, excluding Schools, are £750k under budget. This is due to seasonal expenditure (e.g. youth service), vacancies and an issue with the ordering system. In addition posts are being held to meet a challenging vacancy target and to prepare for possible future delegation of tasks to school clusters to bring efficiencies.

Corporate Resources

4.4 The full year forecast position is £829k over spend, against a budget of £34.41m.

4.5 Key Variances Include:

- A £141k forecast under spend within Procurement which relates to the recovery of rebate income which was not included in the original budget. This under spend is off setting forecast overspends on expenditure where there are no budgets.
- A £548k over spend within Property, the majority of which, £378k lies within Maintenance & Facilities, £311k relating to establishment budget pressures, £44k relating to unavoidable costs with no budgets, and the remaining £23k relates to minor over spends across this area. The remaining £170k falls within Property Assets and Capital Development, of which £75k is due to reduced rental income, which has been affected by the present economic climate, and £95k is due to establishment cost pressures.
- A £268k forecast over spend within Legal Services which relates to agency staffing costs for professional expertise required to provide this service. Also reduced income forecast due to termination of contracts when transferred to Central Bedfordshire Council, and reduction in section 106 due to downturn in the housing markets. Legal Services are working with Finance to identify savings in other areas to offset this over spend.
- A £97k forecast over spend within Democratic Services, £54k of which relates to the Elections which will be fully funded from reserves once they are disaggregated and will reduce this over spend to £43k. Of the remaining over spend £5k is due to unbudgeted support for the Lord Lieutenant & High Sheriff, and £38k to the lack of budgets for supplies & services.
- A £45k over spend within HR due to increased agency staff forecasts to cover vacancies.

4.6 Key Management Actions are:-

- To produce accurate and robust forecasts, so that any risk can be highlighted and addressed as soon as they occur.

- Legal Services to work with Finance to identify savings in other areas to offset the potential over spend in staffing costs and to ensure the timely billing of all income.
- Property services to work with Finance to manage overspend and reduce where possible.

Social Care Health & Housing

4.7 The full year forecast position has some degree of uncertainty but is in the range £2.4m to £4.4m overspend against a budget of £46.65m, with variances over £100k detailed below. This relates entirely to the Directorate's Adult Social Care services budget.

A combination of inherited overspends including unachieved inherited efficiency savings, full year effect issues (to be quantified), undercosted establishment and contract management issues have contributed towards the current position.

Further analysis of care package commitments will be undertaken by finance and business support staff to establish the full year impact of the 2008/09 overspend for 2009/10. A similar exercise will be undertaken to analyse the cost implications of BUPA occupancy and home care block contract usage. The Directorate management team will then produce an action plan and implementation plan to address the forecast overspend. There is a separate report on this agenda setting out the proposed recovery programme for the Adult Social Care Service.

A nil variance is forecast in respect of expenditure against Housing budgets, both General Fund and HRA.

4.8 The Directorate is under severe pressure with a number of overspends (worst case shown) forecast across a number of cost centres:

- £1.8m - Older People Assessment and Care Management; the main areas of overspend are a projected shortfall in client income of £171k and a projected overspend on client care packages of £1.6m including £756k for direct payments.
- £1.4m - Learning Disabilities Assessment and Commissioning - the forecast overspend includes the full year effect of 2008/09 year transition commitments, use of Bedfordshire and Luton Partnership Trust (BLPT) reprovision block contract voids and notified new transition commitments and Continuing Health Care commitments for 2009/10. The major area of overspend is in residential placements.
- £988k - Learning Disabilities Direct Services – the staff budget is underfunded. The establishment costing for this area omitted significant numbers of posts and there was a significant overspend in this area in 2008/09.

- £556k –non-achievement of a balancing income target introduced to balance the overall budget to the Council’s cash limit.
- £361k - Projected loss of customer income due to block contract voids and this may be overstated. Discussions are underway with the provider.
- £344k - Learning Disability and Mental Health Management – this relates to a continuing overspend on Mental Health care packages where the budget is significantly underfunded at only £20,000 with a total spend of £364,000 forecast. The pooled budget for social work, community support, day and residential services of £2.6m is forecast on budget.
- £318k – Older People and Physical Disability Management - non-achievement of legacy efficiency targets regarding day care and increases in successful applications for continuing health care funding. There was no inherited plan to achieve the efficiencies.
- £106k - shortfall on the Ludun workshop and Workstep sheltered employment schemes – the shortfall reflects the omission of payroll costs of Sheltered Placement scheme participants and this will be the subject of a report later in the year.

4.9 The above overspends are partially offset by the following underspends:-

- £1.2m – Growth allowance - additional budget of £1.2 m for adult social care transitions and demographic growth is now included within the overall Adult Social Care budget

Sustainable Communities

4.10 The full year forecast position for Sustainable Communities is £0.631m (1.6%) over budget on a net revenue budget of £39.4m. The bulk of this forecast overspend (0.5m) relates to the budgeted use of £0.5m of “invest to save” funds throughout the directorate, for business transformation. During the budget process the sum was allocated with the intention of utilising it in 2009/10 to enable harmonisation of processes and systems during the year to deliver £1m of ongoing savings from 1st April 2010. This £0.5m is no longer available. Consideration will be given by all ADs as to how this shortfall may be met, as a whole range of business improvement, transformation and harmonisation projects are already in train.

The remaining overspend is in the Passenger Transport service and relates to the support of public bus routes. This overspend represents 3% on a net budget of £4.9m and has arisen due to the original disaggregated budget not matching the operational reality of the service. The service is undertaking a full review to identify any compensatory savings. In addition, they will be preparing a full paper outlining the current service provision and proposing alternatives to this that may generate the required level of savings. In

addition it should be noted that there are budgetary pressures on employee allowances (£220k) and travel (£70k) which are currently being met from an offsetting over performance in achieving vacancy targets and an expected pay award below budgeted levels (£290k). No provision was made for these elements during the budget setting process.

4.11 Key Management Actions

- The Passenger Transport team are undertaking a full review of their budgets to identify any potential offsetting savings. In addition they are preparing a paper for the new portfolio holder detailing the subsidies paid to operators by route with a view to implementing changes to service provision to meet forecast budget shortfalls. It is intended that this report will go through Overview and Scrutiny committee before being considered at Executive.
- Finance will consult with ADs to review budgets in order to identify potential in year savings to compensate for the lack of transformation funds.
- All budget managers will need to continue to monitor employee expenditure to ensure that performance is maintained. Particular care should be taken with regard to the use of interim staff.

Transition Costs

- 4.12 £15.4m has been budgetted for transition costs, backed against limited General Fund balances, to be repaid over four years. Detailed work is being undertaken to assess the overall position on the Transition costs. There are two elements to this work. Firstly, ensuring that accrued expenditure for 2008/09 and commitments in 2009/10 are separately identified; and secondly, the identification and forecasting of ICT expenditure which can be capitalised. At this stage it is anticipated that the Transition costs will be circa £1m greater than planned. This is due to higher than expected transition staffing costs and voluntary redundancy costs, however it should be noted that these costs are one-off and enable immediate and on-going staffing revenue savings of £4.92m p.a.

Invest to Save

- 4.13 Future reports will provide an update on Business Transformation activity here.

5. Revenue Virement Requests

- 5.1 There are no virements to report at this time. The threshold for key decisions has been set at £200k in the Council's Constitution and all virements above this level will require Executive approval. Members recognised the volume of work required in 'realigning' budgets immediately post 1st April 2009 and virements up to the election date did not require approval..

6. Key Risks and Cost Drivers

- 6.1 This is an ongoing piece of work. For each Directorate, there will be a regular update of three to four key areas of activity that have a significant impact on financial performance. This will combine financial information and performance data.

7. Achieving Efficiency Savings

- 7.1 The agreed budget includes £8.54m of efficiencies.
- 7.2 Further work is to be undertaken by finance to determine how this is measured. The information will be required for the mid-year Annual Efficiency Assessment and for the year end return.

8. Reserves Position

- 8.1 The accounts of the legacy authorities are now closed, subject to audit. They are in line with the assumptions made in the approved budget. A review is also underway to assess which earmarked reserves could be transferred to General Reserves.

9. Carry forward Requests

- 9.1 None

10. Detailed Capital Analysis

- 10.1 More comprehensive work in this area is necessary. There is a forecast overspend of £0.4m against an adjusted budget of £68.7m (0.6%). The overspend is in Sustainable Communities in respect of compensation claims by the Ridgmont Bypass main contractor.
- 10.2 Actual spend to date of £5.3m, against a budget of £68.7m, reflects an initial slow start to the capital programme, reflective of the need for a review of schemes by the new Council. Details are shown on Appendix B. A full report reviewing the capital programme will be presented to the October Executive.

Business Transformation

- 10.3 The forecast capital position at the year end is currently showing on budget.

Children's Families & Learning

- 10.4 There are no forecast overspends against projects in the capital programme.

Corporate Resources

- 10.5 The forecast capital position at the year end is currently showing on budget.

Social Care Health & Housing

- 10.6 The forecast capital position at the year end is currently showing on budget.

Sustainable Communities

- 10.7 Potential £400k overspend on Ridgmont Bypass arising from additional compensation claims from the contractor.

11. Workforce Data

- 11.1 Financial Services have been working closely with Human Resources to ensure that the establishment figures held by HR tie in with those agreed in the budget agreed by Council. The work is near completion and will be included in future monitoring reports. Data on the agreed establishment, vacant posts, recruitment and use of interims/agency staff will be provided.

12. Aged Debt Analysis

- 12.1 This will be reported in the next monitoring report. The inherited debt from the legacy authorities will be shown separately from the new Central Bedfordshire debt.

13. Payments Indicator

- 13.1 Central Bedfordshire's terms are 30 days for payment and 21 days for small businesses. Whilst BVPI8, (the percentage of invoices paid within 30 days or agreed terms), is no longer in the national indicator set it continues to be monitored.
- 13.2 The overall performance for the year to date, excluding schools is as follows:-
- April 96.2%
 - May 95.7%
 - June 97.3%
- 13.3 Performance will be reported in the next monitoring report, by Directorate.

14. List of Appendices

Appendix A Summary of Central Bedfordshire Council Revenue Position

Appendix B Summary of Central Bedfordshire Council Capital Position

Summary of Revenue Position

Appendix A

Director	Latest Annual Budget	Profiled Budget to date	Actual to date	Variance	Adjusted Forecast Outturn	Forecast Variance	Non Discretionary Carry Forwards /provisions	Revised Forecast Variance	Proposed Transfer to/from reserves	Forecast Variance after proposed new reserves.
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Chief Executive	309	77	614	537	309	0		0		0
Business Transformation	6,430	1,607	1,569	-38	6,523	93		93	-91	2
Children, Families & Schools (excluding schools)	37,961	9,490	8,738	-752	39,984	2,023		2,023		2,023
SCH&H	46,651	11,663	14,443	2,780	52,043	4,392		4,392		4,392
Sustainable Communities	39,355	9,839	10,520	681	39,988	633		633		633
Corporate Resources	19,827	4,957	7,418	2,461	20,658	831		831		831
Corporate Costs	14,586	3,647	2,207	-1,440	14,584	-2		-2		-2
Transitional Costs	4,600	1,150	3,824	2,674	4,600	0		0		0
TOTAL Excluding Schools	169,719	42,430	49,333	6,903	178,689	7,970	0	7,970	-91	7,879
Schools only	924	231	-106	-337	924	0		0		0
Total	170,643	42,661	49,227	6,566	179,613	7,970	0	7,970	-91	7,879

Summary Capital Monitoring -
June 2009

Period 3 Appendix B

General Fund	Original Budget	Slippage from 0809 unapproved	Other Adjustments unapproved	Current Budget unapproved	Profiled Budget to Date	Actual to Date	Variance	Forecast Outturn	Slippage into 0910	Forecast Variance to Current Budget Unapproved	
Director	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	%
Chief Executive	0	0	0	0	0	0	0	0	0	0	0%
Business Transformation	100	0	0	100	25	29	4	100	0	0	0%
Children, Families & Learning (schools & non schools)	15,635	6,038	(2,519)	19,154	3,909	1,424	(2,485)	19,154	0	0	0%
Children, Families & Learning (leisure & culture)	8,739	306	130	9,175	2,185	18	(2,167)	6,430	(2,745)	0	0%
SCH&H	4,225	8,570	158	12,953	1,056	555	(501)	12,953	0	0	0%
Sustainable Communities	31,110	4,127	145	35,382	7,778	3,250	(4,528)	35,782	0	400	1%
Corporate Resources	5,176	1,771	0	6,947	1,294	32	(1,262)	6,947	0	0	0%
Less Assumed Slippage going forward	(15,000)	0	0	(15,000)	0	0	0	(12,255)	2,745	0	0%
Total Expenditure	49,985	20,812	(2,086)	68,711	16,246	5,308	(10,938)	69,111	0	400	
Grants & Contributions	(32,341)	(15,247)	2,466	(45,122)	(8,085)	(2,475)	5,610	(45,122)	0	0	0%
Revenue Contribution	(70)	0	0	(70)	(18)	0	18	(70)	0	0	0%
Borrowing	(8,787)	(5,565)	(380)	(14,332)	(2,197)	0	2,197	(14,732)	0	(400)	3%
Capital Receipts	(8,787)	0	0	(9,187)	(2,197)	0	2,197	(9,187)	0	0	0%
NET General Fund	0	0	0	0	3,750	2,833	(917)	0	0	0	

Housing Revenue Account	Original Budget	Slippage from 0809 unapproved	Other Adjustments unapproved	Current Budget unapproved	Profiled Budget to Date	Actual to Date	Variance	Forecast Outturn	Slippage into 0910	Forecast Variance to Current Budget Unapproved	
Director	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	%
SCH&H	5,686	(79)	0	5,607	1,422	0	(1,422)	5,607	0	0	0%
Total Expenditure	5,686	(79)	0	5,607	1,422	0	(1,422)	5,607	0	0	
Grants & Contributions	(3,649)	79	0	(3,570)	(912)	0	912	(3,570)	0	0	0%
Revenue Contribution	(343)	0	0	(343)	0	0	0	(343)	0	0	0%
Borrowing	0	0	0	0	0	0	0	0	0	0	0%
Capital Receipts	(1,694)	0	0	(1,694)	0	0	0	(1,694)	0	0	0%
NET Housing Revenue Account	0	0	0	0	509	0	(509)	0	0	0	
NET TOTAL Capital Programme	0	0	0	0	4,259	2,833	(1,426)	0	0	0	