

Meeting: Executive
Date: 13 October 2009
Subject: Budget Management Report 2009/10 as at 31 August 2009

Report of: Councillor Maurice Jones - Portfolio Holder for Corporate Resources

Summary: To provide information on the budget position at 31 August 2009 to enable decisions to be taken on resource allocation and service delivery.

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)** N/A

RECOMMENDATIONS:

that the Executive be recommended to:

- (a) Note the latest budget projections for the year and also that further work is ongoing to establish the likely out turn for 2009/10.**
- (b) Approve the Directorate action plans and Financial Recovery plan for the Director of Adult Social Care Health and Housing**
- (c) Approve the transfer of £2.74m previously earmarked reserves to General Fund**
- (d) Agree, subject to the views of the School's Forum, that the final decision in respect of school balances is delegated to the Director of Children's services, after consultation with the Portfolio Holder for Children's Services**

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 August 2009 and the forecast position at year end. Appendix A1 shows the net revenue position, and appendix B1 the capital position.
- 1.2 The 2009/10 budget is the first one produced by Central Bedfordshire and members are aware that it is one which carries relatively high risk. Robust monitoring has been in place since day one as any revenue overspend will be a call on General Fund balances. The authority will have expended an estimated £15.4m of its reserves to repay over five years which are also funded from General Fund Balances. If spend is delivered to budget, these balances will be less than £3m at year end, just over half of their target level.
- 1.3 Work is ongoing by service managers and Financial Services to ensure that effective budget monitoring and management. Whilst significant progress has been made, 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 Close down work of the three legacy authorities is now complete subject to final audit and it indicates that the opening General Fund balances for Central Bedfordshire will be £14.37m which is broadly in line with the forecast in the budget agreed at Council on 26 February 2009. A review of the adequacy and appropriateness of earmarked and general reserves together with provisions has been undertaken. The details are shown at Appendix C.

2. Executive Summary - Revenue

- 2.1 The current forecast outturn position based on the financial position at 31 August is shown at Appendix A1. This forecast indicates a potential worst case overspend **of £8.7m representing 5.1% of the net budget**. This is a reduction of £584k, (0.4%), since July's report and is evidence that management actions are beginning to take. Certain known underspends have yet to be factored into these figures.
- 2.2 However, Director's have continued to develop action plans in response to members' concerns about the forecast overspend. Based on the most up to date information available the forecast outturn position is an overspend of **£6.7m**. This updates the known position at 31 August with the detailed on going work on directorate action plans to bring the authority's spend in line with budget. The actions set out in Appendix A4 total £4.0m of which £1.5m were already included in the August forecasts and £0.6m assessed as 'red' having less certainty of being achieved.
- 2.3 A specific focus is on projecting staff costs; and work is continuing to ensure a full reconciliation of establishment, vacancies and expenditure. Section 11, below outlines the detailed analysis. It is recognised that some of the potential savings arising from vacancies will have been utilised by agency or consultant staff.

2.4 There is an expectation that vacant posts are filled only with the express approval of the relevant Director. Last month it was also agreed that there should be a moratorium on the creation of new posts, except in exceptional circumstances, and in line with the Financial Procedures be subject to the approval of the relevant Director in consultation with the Director of Corporate Resources.

2.5 A more detailed commentary on the revenue forecasts for each of the directorates is set out in Appendix A1. Children, Families and Learning has pressures of £2.2m, Corporate Resources £0.8m and Sustainable Communities £0.5m. However, the greatest pressures continue to be experienced in Social Care, Health and Housing where there is a potential forecast overspend of up to £5.0m in Adult Social Care. The reduced forecast overspend when compared to last month, demonstrates the previous management actions are beginning to take effect.

2.6 **Transition Costs**

The Transition budget is forecast to overspend in the region of £1.0m. 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.

2.7 **Pay Award 2009/10**

The payroll forecast now includes a forecast of 1% which is in line with the NJC settlement of 1.5% and 1% for junior and middle management respectively.

3. **Executive Summary - Capital**

3.1 Actual spend to date of £10.6m against an adjusted capital budget of £69.4m, reflects an initial slow start to the programme, reflective of the need for a review of schemes by the new Council. Outline details are shown on Appendix B1, together with more detailed commentary in Appendix B2. There has been particular focus this month to ensuring accurate forecasts, and the £22.0m forecast underspend reflects of the slow start to the programme for this year.

3.2 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. The review will be considered by the Executive in November. The £69.4m adjusted budget in 3.1 is, therefore, technically unapproved until the review is approved by Council later in November.

3.3 The Capital approvals process in the Constitution is also under review and is being considered by the Constitution Working Group. It is envisaged that a detailed business case will be required for a scheme to commence rather than a Project Initiation Document (PID) as is currently the case.

4.0 Revenue Virement Requests

4.1 There are no virements to report at this time. The threshold for key decisions has been set in aggregate 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.

5. Key Risks and Cost Drivers

5.1 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.

6. Achieving Efficiency Savings

6.1 The agreed budget includes £8.54m of efficiency related savings.

6.2 Further work is to be undertaken by finance next month to measure these. The information will be required for the mid-year Annual Efficiency Assessment and for the year end return.

7. Reserves Position

7.1 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 of the three legacy authorities' earmarked reserves has been undertaken. Details are shown at Appendix C. It is recommended to agree with the proposals to transfer £2.739m previously earmarked reserves to general fund.

7.2 This would increase the opening balance from £14.732m to £17.111m.

7.3 The following table details the reserves position:

General Fund Balance	£m	£m
Opening balance		14.372
Less budgeted transitional costs	(15.400)	
Less additional transitional costs	(1.000)	
Less use to support Invest to Save programme	(1.338)	(16.738)
Less forecast revenue overspend		(8.660)
Add proposed transfer form earmarked reserves		2.739
Add repayment of transition costs		4.600
Closing Balance		(3.687)

7.4 Local Authorities have a duty to examine schools surplus balances (i.e. reserves)), as at 31st March each year, over and above a certain threshold (8% for nursery, lower and special schools: 5% for middle and upper). In particular, the Authority has to consider whether any clawback of excess surplus balances, at individual school level should be made. This is set out through directed revisions to the local Scheme for Financing Schools. Whilst the DCSF expect Schools' Forums to be involved in the process and the Central Bedfordshire Scheme for Financing Schools provides for this, the final decision remains with the Local Authority. It is recommended that after the views of the School's Forum have been ascertained, that the final decision is delegated to the Director of Children's Services, after consultation with the Portfolio Holder for Children's Services.

8. Carry forward Requests

8.1 None

9. Workforce Data

9.1 Financial Services have been working closely with Human Resources and services to ensure that the establishment figures held by HR tie in with those agreed in the budget agreed by Council. Further work has been done to tie the establishment back to budget, including posts funded from budget re-alignment or virements. The following table shows the latest position, it should be noted that the actual column does not include interim or agency staff filling vacancies.

Directorate	Original Budget	Funded Changes	Changes Not Funded	Revised Budget	Actual	Variance
	fte	fte	fte	fte	fte	fte
Business Transformation	241.0	0.0	0.0	241.0	223.4	- 17.6
Children's Families & Learning	846.1	10.0	6.5	862.6	702.3	- 160.3
Corporate Resources	327.0	0.0	0.0	327.0	295.2	- 31.8
Social Care Health & Housing	660.0	0.0	33.3	693.3	531.3	- 162.0
Sustainable Communities	443.0	14.0	0.0	457.0	396.9	- 60.1
Total	2,517.1	24.0	39.8	2,580.9	2,149.1	- 431.8

There is continued progress on the establishment data and further detail including numbers of agency staff will be reported in September.

10. Aged Debt Analysis

- 10.1 Debt outstanding for Central Bedfordshire as at the end of August was £2.8m. A breakdown by Directorate is shown at Appendix D1. The inherited debt from the Bedfordshire County Council is £5.0m, which is slightly reduced from the last reported amount of £5.6m in March and includes £3.2m PCT debt. Details by Directorate are also shown in Appendix D2. Debt analysis from Mid and South Beds legacy authorities is currently undergoing a data cleanse. These figures should be available next month.

11. Other Financial Indicators

- 11.1 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.

- 11.2 The overall performance for the year to date, excluding schools is as follows:-

April 96.2%
May 95.7%
June 97.3%
July 98.2%
August 97.2%

Performance has been consistently high and this is to be applauded, especially in light of the implementation of the new financial systems in April.

- 11.3 Performance will be reported in the next monitoring report, by Directorate.

- 11.4 Appendix E is the Council's Treasury Management Report from the first quarter. The report for the half year will be included in the September Budget Management Report. There are no issues at this time. The overall interest earned in investments has remained arbitrarily high due to the rates in the order of 4.5% being available when money was lent out last year.

CORPORATE IMPLICATIONS
Council Priorities:
Financial:
The financial implications are set out in the body of the report.
Legal:
None

Risk Management:
Directors are assessing the risks of the proposed actions in Appendix 4 on Council Services.
Staffing (including Trades Unions):
None
Equalities/Human Rights:
The effect of any proposed efficiency savings will need to be considered as part of the Equality Impact Assessments particularly in identified high risk areas
Community Safety:
None
Sustainability:

List of Appendices

Appendix A1 Summary of Central Bedfordshire Council Revenue Position
Appendix A2 Table of Forecast Changes by Directorate since last month
Appendix A3 Detailed Revenue Analysis by Directorate
Appendix A4 Action/Financial Recovery Plans per Directorate
Appendix B1 Summary of Central Bedfordshire Council Capital Position
Appendix B2 Detailed Capital Analysis by Directorate
Appendix C1 Review of Earmarked Reserves
Appendix D1 Debt position Central Bedfordshire
Appendix D2 Legacy position for Bedfordshire County Council
Appendix E Treasury Management Report

Background Papers (Open to public inspection)

Directorate August Budget Monitoring reports
Reserves position statements from Legacy Authorities