

Date 26/10/09

SUBJECT:	Budget Management Report for the period as at 30th September 2009
REPORT AUTHOR:	Finance Manager on behalf of Director of Sustainable Communities
PURPOSE:	To provide information on the budget position at 30 th September 2009 to enable decisions to be taken on resource allocation and service delivery.
RECOMMENDATIONS:	<p>The Service Management Team/Portfolio Holder/Executive is recommended to:</p> <ul style="list-style-type: none">a) Note the latest budget projections for the year and the associated service implications.b) Agree to any management actions proposed at paragraphs 2.3 and 3.3 and determine whether any other changes to service provision need to be made in the light of these.c) Note budget virements since last report.

1.0 Introduction

- 1.1 The report sets out the financial position to 30th September 2009 and the latest forecast position at year end. Table A shows the net revenue position, Table B the movements in revenue forecast from the prior month and Table C the capital position.

2.0 Executive Summary Revenue

- 2.1 The full year forecast position for Sustainable Communities is £0.182m (0.46%) over budget on a net revenue budget of £39.36m. This represents a decrease in projected overspend of £301k from last month. The bulk of this forecast overspend relates to the budgeted use of £0.5m of transition funds throughout the directorate. 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 date, savings of £325k have been specifically identified by ADs to meet this shortfall, primarily through delaying recruitment to vacant posts which has implications for the quality of service delivery provided. The remaining overspend is in the Passenger Transport service and relates to the support of public bus routes. This overspend represents 1.8% 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 prepared a full paper for Executive in September 2009 setting out options as to how this overspend could be tackled by reducing the level of subsidy to bus operators. At its October 2009 meeting, the Executive resolved to make the full year savings of £68,000, with a £17,000 saving in 2009/10. 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 overperformance in achieving vacancy targets and an actual pay award 1.5% below budgeted levels (£290k). No provision was made for these elements during the budget setting process. Finally, it should be noted that October will see several key contracts receive their annual inflation and announcements on several key Government grant awards. The outcome of these events will have a significant effect on the Directorate's outturn and will be reported in October's monitoring report.

2.2 It should be noted that much of the forecasting for this period was done at a high level reflecting the fact that budget realignment work has been ongoing. Significant progress has been made in September and October in this regard and future reports will reflect this. In addition, actual income postings have been limited to date due to processing problems in the new income system. There is currently £1.2m of unreconciled income within the system which particularly affects Development Management actual income postings making income forecasting difficult. Finance and Planning are currently working together to provide an estimate of how much Development Management income is currently outstanding and are liaising with Revenues to resolve the situation.

2.3 Forecast variances over £100k

(a) Underspends – A forecast underspend of £290k is anticipated on direct employee costs through overachievement of vacancy targets and a pay settlement below that budgeted.

- Further underspends amounting to £325k have also been identified across the Directorate through delayed recruitment and delaying some workflows until the new financial year.

(b) Overspends

– Passenger Transport £90k (1.8%) on a net budget of £4.9m. This is due to the reality of existing service provision being different to the original disaggregated budget estimate. The service prepared a full paper for Executive in September 2009 setting out options as to how this overspend could be tackled by reducing the level of subsidy to bus operators. At its October 2009 meeting, the Executive resolved to make the full year savings of £68,000, with a £17,000 saving in 2009/10. The approved changes have not fully addressed the issue.

- Budgeted use of transition funds (500k) across the Directorate will not be possible, even with a whole range of business improvement, transformation and harmonisation projects already in train. £325k of savings have already been identified towards meeting this shortfall.

- Budgetary pressures on employee allowances (£220k) and travel (£70k) which are currently being met from an offsetting overperformance in achieving vacancy targets (2.3(a) above). These pressures have arisen because no provision was made for employee allowances during the budget setting process. In addition, the budget for travel was set at a level below that of the predecessor authorities.

(c) Key Service Implications

– Public transport provision has been reviewed as outlined in (b) above.

(d) Key Management Actions

- ADs are continuing to review budgets in order to identify potential in year savings to compensate for the lack of transition funds. To date £325k has been identified. A further progress update will be providing in the October monitoring report.

- 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. A full review of the use of interim staff has been undertaken to ensure all such appointments remain necessary and where practical have been engaged through Carlisle Managed Solutions, the Council's preferred supplier.

- The outcome of contract inflation increases and Government grant announcements will be included in October's monitoring report.

2.4 Forecast movement to previous month

(a) Underspends – A further £60k underspend obtainable through delays in recruitment and a reduction in use of contractors.

(b) Overspends – Transition funding shortfall (£231k) – a reduction in forecast overspend (from £500k to £175k) arising from detailed budget review by ADs. This is an ongoing process, with further savings anticipated.

3.0 Executive Summary Capital

3.1 Although one scheme has been identified as giving rise to a projected £400k overspend, slippage in other schemes is anticipated, resulting in the year end position being within the overall budget. This scheme relates to compensation claims on Ridgmont Bypass work by the primary contractor.

3.2 Slippage over £250k – None reported.

3.3 Forecast under/overspends over £100k

(a) Underspends – None reported.

(b) Overspends – Potential £400k overspend on Ridgmont Bypass arising from additional compensation claims from the contractor.

(c) Key Service Implications – None reported.

(d) Key Management actions – To ascertain whether Ridgmont claims are valid and arrange final settlement. If additional costs are incurred, the capital programme will have to reviewed to identify compensatory savings/ slippage. A corporate capital review is also taking place and a paper on the whole capital programme will be reported to executive in November.

4.0 Detailed Revenue Analysis by Operational Group

Table A – Revenue Actuals to date and Forecast Year End position

Table A - Net Revenue Position	Annual Budget	Profiled Budget	Actual spend	Variance	Sept Forecast Outturn	Forecast Variance
<i>Net Expenditure</i>	£000	£000	£000	£000	£000	£000
Director for Sustainable Communities						
Director of Sustainable Commun	826	412	661	249	766	-60
Economic Growth & Regeneration	1,147	572	487	(85)	1,147	0
Highways	11,851	5,926	5,714	(212)	11,934	83
Strategic Planning	2,941	1,470	1,630	160	2,938	-3
Waste	16,988	8,494	7,915	(579)	17,163	175
Development Management	2,104	1,052	1,986	934	2,066	-38
Community Safety & Public Prot	3,194	1,597	1,722	125	3,219	25
BEaR Project	285	142	238	96	285	0
Total Director of Sustainable Communities	39,336	19,665	20,353	688	39,528	182

4.1 Table B – Movement on Forecast Year End Position (to previous month)

Table B - Movement in Forecast	August Forecast Outturn	Sept Forecast Outturn	Movement in Forecast
<i>Net Expenditure</i>	£000	£000	£000
Director for Sustainable Communities			
Director of Sustainable Commun	826	766	-60
Economic Growth & Regeneration	1,147	1,147	0
Highways	11,982	11,934	-48
Strategic Planning	2,974	2,938	-36
Waste	17,163	17,163	0
Development Management	2,167	2,066	-101
Community Safety & Public Prot	3,275	3,219	-56
BEaR Project	285	285	0
Total Director of Sustainable Communities	39,819	39,528	(301)

4.2 Detailed Commentary on Director and Service Development team

- (a) Variances over £50k – none identified.
- (b) Service Implications – none identified.
- (c) Management Actions – none identified.

4.3 Detailed Commentary on Economic Growth and Regeneration

- (a) Variances over £50k – none identified.
- (b) Service Implications – none identified.
- (c) Management Actions – none identified.

4.4 Detailed Commentary on Highways

(a) Variances over £50k

- Passenger Transport £90k (2.5%) on a net budget of £4.9m. This is due to the reality of existing service provision being different to the original disaggregated budget estimate.
- Budgeted use of transition funds (£125k) will not be possible, however compensatory savings have been identified to mitigate against this.

(b) Service Implications

- The forecast public transport overspend is based on service delivery at current levels, however, consideration will have to be given to continuing levels of provision as outlined below.

(c) Management Actions

- The service prepared a full paper for Executive in September 2009 setting out options as to how this overspend could be tackled by reducing the level of subsidy to bus operators. At its October 2009 meeting, the Executive resolved to make the full year savings of £68,000, with a £17,000 saving in 2009/10.

4.5 Detailed Commentary on Planning and Development Strategy

- (a) Variances over £50k – none identified.
- (b) Service Implications – none identified.
- (c) Management Actions – none identified.

4.6 Detailed Commentary on Waste

(a) Variances over £50k

- Budgeted use of transition funds (£176k) will not be possible.

(b) Service Implications – none identified.

(c) Management Actions

- Finance have consulted with AD Waste to review budgets in order to identify potential in year savings to compensate for the lack of transition

funds. Detailed work has been done on establishing the correct budget and actual position to date, and once the contract inflation rates are known in October an accurate forecast to year end will be possible.

4.7 Detailed Commentary on Development Management

(a) Variances over £50k

- Budgeted use of transition funds (£93k) will not be possible.

(b) Service Implications

(c) Management Actions

- Finance have consulted with AD Development Management to review budgets in order to identify potential in year savings to compensate for the lack of transition funds. Savings have been identified through staff vacancies, however detailed work is ongoing to clarify income to date to enable an accurate outturn forecast.

4.8 Detailed Commentary on Community Safety and Public Protection

(a) Variances over £50k

- Budgeted use of transition funds (£56k) will not be possible.

(b) Service Implications

(c) Management Actions

- Finance have consulted with AD Community Safety to review budgets in order to identify potential in year savings to compensate for the lack of transition funds. Further work will be done on this in October with the intention of minimising the forecast overspend.

4.9 Detailed Commentary on Bear Project

(a) Variances over £50k – none identified.

(b) Service Implications – none identified.

(c) Management Actions – none identified.

5.0 Revenue Virement Requests

There are no requests for virements at this time. For information, it should be noted that several technical adjustments have been actioned in order to more accurately realign legacy budgets to Central Bedfordshire operational requirements. This process is ongoing. The key adjustments actioned to date relate to the cascading of payroll budgets to services and movements between AD areas. It is anticipated that all additional requirements will fall within the technical adjustment definition, but any that do not will be reported here.

6.0 Key Risks and Cost Drivers

Cost Driver	Target	Current Performance	Previously Reported Performance	Comment
Tonnes of refuse sent to landfill.	Data not yet available.	Data not yet available due to data quality issue within Bedford Borough Council who provide the information.	N/A	A key indicator within Waste as it is influenced by waste minimisation and diversion initiatives. Any waste sent to landfill incurs £40/tonne landfill tax charge on top of disposal costs.
Directorate achievement of employee costs budgets.	Full achievement of Directorate's 5% vacancy target.	6.6% assuming pay award of 1% and including use of contractors to cover vacancies.	N/A	39% of the Directorate's budget relates to payroll costs therefore achievement of vacancy targets is a good indicator of likely outturn.
Achievement of Planning and Building Control income targets.		Data quality issues currently being rectified. (expected resolution November)	N/A	The current economic climate makes close monitoring of these volatile budgets essential.

- 6.1 Potential unachievable budgeted income within Waste. Income relating to LAA performance targets for 2008/09 may not be realised due to targets being expressed in tonnage recycled rather than as a % of waste recycled. An appeal has been submitted, as the target was only missed because of our over achievement of waste minimisation targets.
- 6.2 Also, the Government's decision to reduce housing planning delivery grant may impact. An exercise is currently ongoing to calculate the expected level of grant relative to budget.
- 6.3 It is hoped that Government grant announcements in October will be at budgeted levels across the directorate even if some individual awards are below expected levels.
- 6.4 Continued close monitoring of all fees and charges will be required to take account of the effects of the economic downturn and ensure budgets are attainable. Further reconciliation of unallocated income is required in addition to close working between finance and services.
- 6.5 Highways contract requires to be carefully monitored to ensure that Amey forecast fully takes account commitments as well as completed works.

7.0 Achieving Efficiency Savings

Sustainable Communities was budgeted to achieve £2.1m of efficiency savings in 2008/09. Current forecasts indicate that the full £2.1m of these efficiencies will be achieved, relating to vacancy savings (£808k), Waste and recycling (£833k), and supplies and services (£478k).

8.0 Reserves Position

The reserve position is not yet confirmed and is subject to the disaggregation of Beds CC reserves.

9.0 Carry forward Requests

None.

10.0 Detailed Capital Analysis

10.1 Table C – Capital Budget and Forecast Year End position

SUSTAINABLE COMMUNITIES	Budget	Forecast	Variance
Community Safety & Public Protection	64,500	64,500	0
Development Management	4,808,900	4,808,900	0
Economic Growth and Regeneration	4,149,000	4,149,000	0
Highways	16,524,000	16,924,000	400,000
Planning and Development Strategy	4,735,200	4,735,200	0
Waste	828,500	828,500	0
Total	31,110,100	31,510,100	400,000

10.2 Detailed Commentary on Capital

- (a) Variances over £50k – Although one scheme has been identified as giving rise to a projected £400k overspend, slippage in other schemes is anticipated, resulting in the year end position being within the overall budget.
- (b) Service Implications – none identified.
- (c) Management Actions - To ascertain whether Ridgmont claims are valid and arrange final settlement. If additional costs are incurred, the capital programme will have to be reviewed to identify compensatory savings/ slippage.
- (D) Virements approved by Corporate Asset Management Group (CAMG) – none to date.

11.0 Workforce Data

Sustainable Communities	AD Area	Original Budgeted FTE	Fully funded posts not in original employee budget	Total FTE
Community Safety	Comm Safety Development	94.00	3.00	97.00
Development Mgt	Mg Economic Growth	136.00	7.50	143.50
Economic Growth	Highways	14.00	3.50	17.50
Highways	Service Dev	87.00	3.00	90.00
Service Development	Plan&Dev Strat	15.00		15.00
Strategic Planning	Waste	67.00		67.00
Waste	Sust Comm'ty	28.00		28.00
SC Director incl. BEaR project		2.00	6.00	8.00
		443.00	23.00	466.00

The above table reconciles the original budgeted employee FTEs for Sustainable Communities to the current establishment. The movements have all been financed either from existing budgeted resources or through additional external funding. It should be noted that 39FTEs within Development Management are employed within Albion Archaeology which is fully funded from trading activities.

12.0 Aged Debt Analysis

A detailed report will be included in future reports. Analysis has been undertaken to identify amounts over £10k outstanding for more than 30 days. 4 such amounts remained outstanding for Sustainable Communities as at 30th September as per the table below. It should be noted that there were no amounts outstanding in excess of 60 days.

Invoice Date	Account	Amount	Status
05.08.09	ASDA STORES LTD	10,771	Section 106 Contribution - 2nd reminder sent.
06.08.09	WENDY FAIR MARKETS LTD	95,019	Paying weekly by instalments.
17.08.09	BEDFORD BOROUGH COUNCIL	28,200	Contribution to Dom Abuse service - reminder sent.
25.08.09	CDP DEVELOPMENTS LTD	33,969	Client received invoice. Payment expected October.
		167,959	

13.0 Payments Indicator

No data on payments within terms currently available. To be included in future reports.

14.0 List of Appendices

Appendix A2 Detailed Actuals and Outturn

Appendix C Capital Expenditure Monitoring