
Meeting: Executive
Date: 9 February 2010
Subject: 3rd Quarter Budget Management Report
Report of: Cllr Maurice Jones, Portfolio Holder for Corporate Resources
Summary: The report provides information on the budget position as at 31 December 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

CORPORATE IMPLICATIONS

Council Priorities:

Sound Financial management contributes to the delivery of Council's value for money enabling the Council to successfully deliver its priorities,

Financial:

The Financial implications are set out in the report

Legal:

None

Risk Management:

None

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:

None

RECOMMENDATION(S):**1. that the Executive be recommended to:**

- (a) Note the latest budget projections for the year and the continuing work to bring expenditure into line with budget for 2009/10**
- (b) Approve the virements as set out in paragraph 26**
- (c) Approve the remodelled use of the PFI reserve**
- (d) Approve the new grant allocations as set out in paragraphs 15 and 39**
- (e) Agree to a further review of earmarked reserves**

Reason for Recommendation(s): To report to members that robust budget monitoring has been undertaken since day one to ensure spend was delivered to budget and that resources have been allocated appropriately.

Introduction

1. The report sets out the financial position as at the end of December 2009 and the forecast position at year end. Appendix A1 shows the net revenue position.
2. Members are aware that this is a relatively high risk budget as it is the first one produced by Central Bedfordshire and it is for this reason that robust monitoring has been in place since day one.

Executive Summary - Revenue

3. The current forecast outturn position based on the actual spend as at the end of December 2009 is shown at Appendix A1. The forecast indicates an **overspend of £6.8m** which is a decrease of £337k on the position reported to the Executive at the end of October.
4. Executive on 13th October 2009 agreed that all actions identified in the Directorate Action plans to address the overspend could be progressed following discussion between the Director and Portfolio Holder. Work has been continuing on these plans and as a result the overspend position has largely been stabilised to the current position, with minor variations.

5. Central Bedfordshire has inherited a PFI reserve of £7.1m from Bedfordshire County Council in respect of Harlington Upper and Samuel Whitbread Community College refurbishment and redevelopment which was part funded by PFI credits. The Director of Corporate Resources has taken the opportunity to review and rework the model to come up with an alternative proposition for its use and repayment until 2035. It is proposed to release from the PFI reserve into other reserves to include:
 - An increase in the General Fund Reserve (£4.6m) rather than from the current income and expenditure account this relieving pressures on budget overspends:
 - The creation of an earmarked insurance reserve (£1.0m)
 - The creation of an earmarked voluntary redundancy reserve (£1.0m)
 - The creation of a harmonisation reserve (£0.5m)
6. This action would require the PFI reserve to be rebuilt from additional annual contributions to ensure that future liabilities can be met. The scale of this is around £0.367m in 2010/11 rising to £0.751 in 2035/36 in addition to the existing sinking fund payments. This has already been assumed in the proposed Medium Term Financial Plan being considered by the Executive in February for Council approval later in February. At no point will the financing of the schools PFI be at risk.
7. This action would result in a revised forecast outturn of **£2.2m overspend**.
8. Central Bedfordshire has recently been notified of its Housing Planning Delivery Grant. It is £1.4m which is a small improvement on the £1.2m which is already committed in the budget. This information has come to light very recently and isn't reflected in the figures in this report.
9. The annual budget has been revised since last month to reflect virements which are detailed at paragraph 26.

Revenue – Service commentary

10. The forecast over spend of £231k within **Business Transformation** represents a £114k increase since October's report. This is largely due to a review of the Council Tax Bad Debt Provision.
11. The proposed use of reserves is mainly in respect of the Invest to Save Programme which is supported from general reserves.
12. There has been an increase in the pressures for **Children, Families and Learning** of £192k since reported in October which is largely due to increased numbers of out of county placements. The majority of overspend continues to come from Transport, Children's Specialist Services and Leisure.
13. The work to review and re-draft the transport policy has been completed and discussion with the Portfolio Holder for Children's Services is ongoing. The mandatory consultation period has commenced and will complete on the 12 February 2010, after which the revised policy will go to the Overview and Scrutiny Committee and to the Executive on 9 March 2010. The revised policy will be implemented in September 2010, the start of the new school year.

14. The increase in numbers of looked after children is in line with the financial risk identified in October last year and is the consequence of revised risk thresholds. The Council still looks after relatively few children and young people compared to its statistical neighbours and the national average. CFL are continuing with the planned actions, namely, to delay recruitment and review organisational structure to reduce the salaries burden, establish realistic forecasts to allow informed and correct management of the directorate, and finally the close monitoring of Children's Specialist Service budgets that contain mainly demand led budgets constituting high risk to budget management.
15. In order to transform services for disabled children the council has been allocated additional funding through the Aiming High for Disabled Children grant. The Grant revenue allocation is £284,094 for 2009/10 and £916,503 for 2010/11. There is also a Capital allocation of £136,740 for 2009/10 and £319,040 2010/11. The funds are ring fenced and are primarily to fund additional short break capacity.
16. Variance to date excluding Schools is £446k under spend. This is disproportionate in comparison to the full year forecast and is mainly due to seasonal/term time expenditure patterns and vacancies. In Learning and School Support it is due to term time and expenditure lag along with vacancies and recharge due to be paid but not reflected due to lack of information/estimates from Bedford Borough. Integrated Services variance is due to the greater proportion of projected expenditure to be incurred in the latter part of the financial year.
17. Specific budget profiles have been implemented where appropriate in the leisure services to correct disproportionate year to date figures due to term time expenditure patterns and this will be applied across the remainder of children's services as appropriate in time for next month's reporting.
18. The proposed use of reserves reflects the transfer of the Vandyke sports field reserve to the school and the use of the PFI reserve as a result of reduced interest rates.
19. There has been a reduction in the forecast underspend for **Corporate Costs** by £85k since October's report and is due to unbudgetted members allowances that had previously been under forecast.
20. The full year forecast over spend for **Corporate Resources** of £0.362m is an increase since October of £37k. This is mainly due to the interim term accommodation costs for which no budget exists. The proposed used of reserves is in respect of the elections.

21. The **Social Care Health and Housing** forecast overspend of £4.532m is a reduction of £559k since October which is largely due to the following:
- The Home From Hospital service is now forecast to under spend by £234k which is based on latest financial information from NHS Bedfordshire on the cost to Central Beds of the joint intermediate care and the rapid intervention teams. This is consistent with the 2008/09 outturn but further work is ongoing to establish the outcomes and VFM of these services.
- The Learning Disabilities Assessment and Commissioning service has reduced the forecast £148k the majority of which is in respect of some packages having not started as previously forecast.
- Additional vacancies of £119k now being forecast in the Drug Action Team/B:DAT reflecting the high level of vacancies within this service area.
- There are no significant issues to report in respect of the HRA.
22. The proposed use of reserves is in respect of the HRA and the use of the Social Care Reform grant.
23. **Sustainable Communities** currently is forecasting an under spend of £221k which is an increase of £178k since October's report. The change is largely due to a review of the Highways expenditure.

Executive summary – Capital

24. The current forecast outturn position for capital based on the position as at the end of December 2009 is shown at Appendix B and reflects the revised programme as agreed by the Council in November. The forecast indicates an under spend of £5.9m, which is largely in Sustainable Communities and is misleading as not all the forecasts are complete in SAP.
25. It is more appropriate to look at the actual spend to date of £25.0m against the current approved budget of £66.2m. This represents only 38% of the budget and there are only three months remaining until the end of the financial year to spend the remaining £41m. Expenditure has been running at a constant average of £3.0m per month from October which does not seem to indicate any upturn in activity, nor the level of activity required to meet the forecast outturn. It is imperative therefore, that accurate forecasts are made in SAP for both income and expenditure and Directors will need to issue instructions to this effect. Additionally, Finance is working with the Directorate cost centre managers to ensure it is complete by January.

Revenue Virements

26. There has been one virement to note to Sustainable Communities from Adult Social Care Health and Housing for £53k to reflect the correction of ABG grant for Safer and Stronger Communities.

Key Risks and Cost Drivers

27. This is an ongoing piece of work. For each Directorate there will be a regular update of three or four key areas of activity that have a significant impact on financial performance data.
28. For those areas where the data has been captured these are shown in a table in Appendix C.

Achieving Efficiency Savings

29. The agreed budget includes £8.54m of efficiency related savings. Of these £6.508m will be reported to the Department of Communities and Local Government (DCLG) in the next NI 179 reporting requirements at the end of the year. Details are shown at Appendix D.

Reserves Position

30. As reported in August the expected closing balance on general reserves is £3.9m. Any revenue overspend at the end of the year will be first call on general reserves. This position assumes that the revenue outturn will be in line with the budget.
31. The following table sets out the revised anticipated reserve position at the end of 2009/10, taking into account the proposals in this report together with the impact on balances of the current revenue forecast position:

General Fund Balance	£m	£m
Opening balance	14.372	
Add transfer from earmarked reserves as agreed at August	2.739	
		17.111
Less budgeted transitional costs	(15.400)	
Less additional transitional costs	(1.000)	
Less use to support Invest to Save programme	(1.247)	
		(17.647)
Add repayment of transition costs from PFI Reserve		4.600
Expected Closing Balance		(4.064)
Less forecast revenue overspend		2.229
Final closing balance		1.835

32. Appendix E shows a breakdown of Central Bedfordshire's earmarked reserves now the disaggregation of the balance sheet has been agreed. £831k is currently proposed as being used to offset service spending (excluding the £7.1m PFI transfer). £1,247k is the use of general reserve to offset Invest to Save expenditure. It is recommended these are reviewed again to see if any are no longer needed and can be relinquished to general reserves.

Carry Forward Requests

33. None

Workforce Data

34. Work is still ongoing with configuring SAP to record FTE numbers by both post and employees. Vacant posts are now being annotated with budgeted FTE numbers which will enable a more accurate reporting of establishment and actual FTE to be system produced in the future. Appendix F shows an analysis of the workforce as at December. Agency and interim staff outside the Carlisle contract are yet to be included, although these numbers are relatively small.
35. This workforce data is now being produced monthly and is reviewed for accuracy by Assistant Directors.

Aged Debt Analysis

36. Debt outstanding for Central Bedfordshire as at the end of December was £4.19m which is a significant reduction of £2.43m since October. This is primarily due to the invoices to the fully funded schools raised in October for payroll costs being paid. A summary by Directorate is shown at Appendix G.
37. The inherited debt from Bedfordshire County Council is £3.1m which is a reduction of £1.2m since October. This is largely due to credit notes being issued to the PCT in line with agreements to resolve the legacy debt issues.
38. The Inherited debt from Mid Beds and South Beds District Councils now stands at £0.761m.

Review of Grants

39. A number of grants have been revised, notified and awarded throughout the year. Appendix H provides a breakdown of the latest grant notifications. Members are requested to approve these changes.

Other Financial Indicators

Payments

40. 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.
41. The overall monthly performance for December, excluding schools is 82.6% which is a significant reduction of 14.5% on October's performance. This is mostly due to the SAP downtime where 5 days processing were lost.
42. The year to date performance excluding schools is 84.6% which is a reduction of 12.7% since last reported to the Executive in October, and reflects the impact of the SAP down time as above.

Treasury Management

43. There have been no changes in the value of debt held by Central Bedfordshire Council. Work is continuing to review the structure debt in order to make savings by repaying fixed rated loans and replacing them with variable rated debt. None have been restructured since October as the market conditions have not been favourable to do so.
44. Currently the Council has £10.7m deposited externally, £5.7m with Investec and £5m with the Lime Property Fund, The average rate of return on these investments are currently 2.49% and 4.05%, looking forward this is likely to fall to around 2.03% and 3.85%.
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Appendices:

- Appendix A1 – Summary of Council Revenue Position
- Appendix A2 – Table of forecast changes by Directorate since last report
- Appendix B – Summary of Council Capital Position
- Appendix C – Key cost drivers
- Appendix D - Efficiencies
- Appendix E – Earmarked Reserves
- Appendix F – Workforce data
- Appendix G – Debt
- Appendix H – Grants

Background Papers: (open to public inspection)

None

Location of papers: Priory House, Chicksands