

First Draft

Date 15/01/10

SUBJECT:	Budget Management Report for the period as at 31st December 2009
REPORT AUTHOR:	Finance Manager on behalf of Director of Sustainable Communities
PURPOSE:	To provide information on the budget position at 31 st December 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 2.4 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 31st December 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 £0.221m (previous month £146k) under budget on a net revenue budget of £39.258m. This represents a favourable variation of £75k in the forecast from last month.

- 2.2 Major movements in the year to date have been:

- The previous adverse forecast variation related 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.
- Due to the adverse winter spells Highways Division have indicated that the current budget for winter maintenance and the contingency previously set aside has now been exhausted. The cost of the last snow spell is estimated at £450k. Therefore it is projected that each future incident of a bad spell of snow will cost an estimated £450k cost pressure overspend to the budget .
- 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.

- To date, savings of £325k have been specifically identified by AD's to meet this shortfall, primarily through delaying recruitment to vacant posts which has implications for the quality of service delivery provided.
- An additional 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.
- The forecast includes an additional saving of £250k relating to a reduction in the Highways Area Team budget. This was approved by Executive Committee on 8th December 2009.
- The forecast now includes an anticipated £90k saving relating to amounts paid to bus companies for concessionary fares along with additional vacancy savings within Highways.
- Finally, it should be noted that October saw several key contracts receive their annual inflation and this has been incorporated in the forecast. Provisional allocation of the HPDG is set at £1.395m, current budget commitments total the bulk of this amount.
- Full year fee income forecast for Building Control is reduce by £100k compared to budget due to anticipated reduction in actual income bringing about an additional budget pressure.

2.3 Budget realignment work continues with Assistant Directors along with HOS closely reviewing their budgets. Significant progress has been made in recent months 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.

2.4 Key Management Actions

- AD's 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.
- All budget managers will need to continue to monitor employee expenditure to ensure that performance is maintained. Particular care continues to 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.
- Finance to consult with AD's and HOS's to ensure that the base budget and actual expenditure are shown correctly on SAP.

3.0 Executive Summary Capital

(a) The 2009/10 capital programme has been approved by Executive Committee.

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	December Forecast Outturn	Forecast Variance
<i>Net Expenditure</i>	£000	£000	£000	£000	£000	£000
Director for Sustainable Communities						
Director of Sustainable Commun	826	619	1,164	545	766	-60
Economic Growth & Regeneration	1,147	860	915	55	1,112	-35
Highways	11,672	8,755	8,289	(466)	11,509	-163
Planning and Dev Strategy	2,941	2,206	2,526	320	2,892	-49
Waste	16,988	12,741	12,118	(623)	17,056	68
Development Management	2,258	1,694	1,654	(40)	2,240	-18
Community Safety & Public Prot	3,141	2,356	2,195	(161)	3,177	36
BEaR Project	285	214	-46	(260)	285	0
Total Director of Sustainable Communities	39,258	29,445	28,815	(630)	39,037	(221)

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

Table B - Movement in Forecast	Nov Forecast Outturn	Dec Forecast Outturn	Movement in Forecast
<i>Net Expenditure</i>	£000	£000	£000
Director for Sustainable Communities			
Director of Sustainable Commun	766	766	0
Economic Growth & Regeneration	1,147	1,112	-35
Highways	11,608	11,509	-99
Planning and Dev Strategy	2,938	2,892	-46
Waste	17,056	17,056	0
Development Management	2,135	2,240	105
Community Safety & Public Prot	3,177	3,177	0
BEaR Project	285	285	0
Total Director of Sustainable Communities	39,112	39,037	(75)

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 (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.
- Highways Area Team saving in maintenance costs (£250k).
- Concessionary Fares anticipated saving in payments to bus operators (£90k).
- Budgeted use of transition funds (£125k) will not be possible, however compensatory savings have been identified to mitigate against this.
- Potential additional overspend for each future bad spell of snow estimated at £450k.

(b) Service Implications

- Area Team saving affects Category 2 repairs and low level maintenance.

(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 it's October 2009 meeting, the Executive resolved to make the full year savings of £68,000, with a £17,000 saving in 2009/10.
- Executive Committee in December has approved the Area Team saving.
- Potential overspend due to possibility of additional bad snow spells needs to be accurately estimated. This will enable the council to correctly anticipate the potential level of additional funding that may be required.

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.
 - LAA Grant for Waste not now anticipated.
- (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 now the contract inflation rates are known, a more accurate forecast to year end has been made.

4.7 Detailed Commentary on Development Management

- (a) Variances over £50k
 - Full year fee income forecast for Building Control is reduce by £100k compared to budget due to anticipated reduction in actual income bringing about an additional budget pressure
 - 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 and by removing two consultants; 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 and Public Protection to review budgets in order to identify potential in year savings

to compensate for the lack of transition funds. Further work is being carried out 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 has been two virements to date in the net sum of £78k. This related to the transfer of a CRB co-ordinator post from the Transport Team to Human Resources (£25k) and the transfer of grant income relating to domestic violence from Adult Social Care (£53k).

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.	Apr – Sept 09 25,728 tonnes	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. Landfill tax set to rise by an additional £8 per tonne cumulatively over the next 3 years
Directorate achievement of employee	Full achievement of	6.6% assuming pay award of	N/A	39% of the Directorate's budget relates to

costs budgets.	Directorate's 5% vacancy target.	1% and including use of contractors to cover vacancies.		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 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.
- 6.3 Highways contract requires to be carefully monitored to ensure that Amey forecast fully takes account commitments as well as completed works. Potential additional expenditure overspend

7.0 Achieving Efficiency Savings

Sustainable Communities was budgeted to achieve £2.1m of efficiency savings in 2009/10. Current forecasts indicate that £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 has been confirmed but further review is required.

9.0 Carry forward Requests

None.

10.0 Detailed Capital Analysis

See Executive Summary 3.0.

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	Highways	87.00	3.00	90.00
Service Development	Service Dev	15.00		15.00
Strategic Planning	Plan&Dev Strat	67.00		67.00
Waste	Waste	28.00		28.00
SC Director incl. BEaR project	Sust Comm'ty	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

To be reported next month.

13.0 Payments Indicator

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

14.0 List of Appendices

Appendix A Detailed revenue net expenditure by service area

Appendix B Capital expenditure monitoring