
Meeting: Executive
Date: 8 June 2010
Subject: Budget Management Report – Provisional Outturn
2009/10
Report of: Cllr Maurice Jones , Portfolio Holder for Corporate Resources
Summary: The report provides information on the budget position as at 31 March 2010 to enable decisions to be taken on resource allocation and service delivery

Advising Officer: Richard Ellis, Director of Customer and Shared Services
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:

Until the final outturn position is determined the impact on the level of General Reserves remains unknown. However, we are now at the final stages of the closure of accounts process and any major variances in addition to the detail outlined in the report are not anticipated.

Staffing (including Trades Unions):

None

Equalities/Human Rights:

None

Community Safety:

None

Sustainability:

None

Summary of Overview and Scrutiny Comments:

- This report will be submitted to the Central and Customer Service Overview and Scrutiny Committee on the 21st June.

RECOMMENDATION(S):

1. That the Executive note the report.
2. Agree to the proposed transfer to General Fund and Earmarked Reserves as set out in Appendix E

Reason for Recommendation(s): To facilitate effective financial planning.

Executive Summary

This report sets out the Provisional Outturn for Central Bedfordshire Council for its first year of operation based on financial information available as at 31st March 2010.

Introduction

1. 2009/10 was always going to be a challenging year with the budget recognised as relatively high risk, being the first one produced for Central Bedfordshire. There has been significant effort by Members, Directors and staff to manage the pressures identified during the course of the year, to avoid any overspend against the approved budget. This would have been achieved had it not been for a number of uncontrollable and non recurring costs, including contract resolution costs and the need to reassess the value of investments held on the Balance Sheet.

2. As part of the process of closing the accounts, there has been a review of earmarked reserves policy and balances. Consequently, if the review proposals are accepted, General Reserves are £4.8M as at 31 March 2010 which exceeds the Medium Term Financial Plan aspirations of £2.8M. However, the proposed change in policy provides for potential draw downs in year as the Authority will not be holding any equalisation reserves.

REVENUE POSITION

3. The provisional outturn position for revenue as at 31st March 2010 is a net overspend of £1.5M (0.8% variation against the net expenditure budget). This represents a significant reduction on the third quarter figures reported to the Executive in December. This is due to the management actions taken to drive down costs wherever possible and also the decision to reassign the PFI reserve.
4. This is a provisional figure based on the closure of the general ledger as at the beginning of May and in order to provide the latest information available includes a number of manual adjustments that reflect postings still required. Many of these adjustments are on an estimated basis pending further information. Consequently, these figures may be subject to variation. The Authority's statutory Statement of Accounts will be presented to the Audit Committee on 28 June for approval.
5. The Summary outturn position and variation from the position reported at the end of the third quarter are set out in Appendix A1 and A2 respectively. Explanations for the Directorate outturn positions are outlined in the following paragraphs.

Business Transformation & Customer Services

6. For Business Transformation the provisional outturn is £459k (7.0%) over budget and is predominantly due to reduced income in the Registrar's Service and increased agency costs in the revenues and benefits service to meet additional demand.
7. The provision for bad debts, within Revenues & Benefits, has been increased by £300k. This is due to higher than budgeted debt levels at the year end as a result of lower than expected collection rates for Council Tax. Collection rates have suffered largely as a result of downtime, during the systems merge and ICT outages.
8. The proposed use of reserves is mainly for the Invest to Save programme that is supported from general reserves and the use of the benefits equalisation reserve.

Chief Executive

9. The provisional outturn for the Chief Executive is on budget.

Children's Services

10. Children's Services is reporting a provisional outturn of £1.2M overspend (3.8%). There is a £1.6m overspend in Children's Services Operations due to an increase in Residential Care placements, Secure Accommodation and Respite Care costs. Pressures around filling Social Workers posts resulted in substantial use of more costly agency and locum social workers. Budget build errors also contributed to the overspend. There were compensatory under spends mainly in Integrated Services due to posts held against the budget overspends and vacant posts as well as realignment of services.
11. There is a £471k underspend in Learning & Strategic Commissioning mainly from in year vacancies held largely in anticipation of the planned reduction of school improvement staff. However there were overspends, the largest being in Home to School Transport (£644k) as a result of a budget shortfall which has been addressed through policy change for 2010/2011. There were also higher than anticipated increased costs of shared and traded services with Bedford Borough Council.
12. For schools the provisional outturn is an expected revenue balance of £7.9m (Capital £6.0m) and a use of revenue reserves of £331k. Twenty seven schools held an approved Licensed Deficit, with a value of £1.2M with a further four schools unlicensed. This may rise once earmarked reserves for schools have been finally declared.
13. The proposed use of reserves reflects the transfer of the Vandyke sports field reserve to the school, the use of the PFI reserve as a result of reduced interest rates, statementing and Local Safeguarding Children's Board.

Corporate Costs

14. Corporate Costs' provisional outturn is an under spend of £279k (1.9%). Insufficient budget allocation for the Pension fund costs of £876k, which is hosted by Bedford Borough Council, has been more than compensated for by savings from debt restructuring and interest payments for PFI and insurance provisions.

Corporate Resources

16. The provisional outturn for Corporate Resources is a £133k (0.7%) overspend. This is mainly due to unavoidable unbudgeted cost and establishment pressures in Property Services, establishment costs within Legal Services and a reduction in the achievable income within Audit. These were offset in part by HR income and savings in ICT establishment and software costs.

Social Care Health and Housing

15. The £4.3M (9.2%) overspend is nearly all in respect of Adult Social Care services and is largely due to incorrect budget build, unachievable efficiency targets and increased numbers of direct payments that have not had compensatory reductions in care package costs, particularly in home care.

16. The provisional closing position for the Housing Revenue Account is an overspend of £290k which will be met from the HRA reserve.
17. The provisional outturn for the Housing General Fund is an overspend of £118k within private sector housing options. This relates to non-capitalisation of salaries.
18. The proposed use of reserves is in respect of the HRA and the use of the Social Care Reform Grant. It is also proposed to carry forward some of the Social Care Reform Grant under spend into next year to support the Transforming Peoples Lives Programme.

Sustainable Communities

19. Sustainable Communities has a provisional outturn of £0.215M (-0.55%) underspend after the proposed use of reserves. The positive overall result indicates that the Directorate has met its annual efficiency targets and was successful in overcoming additional pressures experienced during the year. The Directorate reduced highways maintenance expenditure, subsidy for passenger transport routes and delayed recruitment to compensate for the loss of transition funding and omitted staff allowance budgets.
20. Subdued economic conditions have seen lower revenues in planning and development.
21. The proposed use of reserves is mainly in respect of senior management review redundancy costs. There is a corporate Redundancy Reserve which the directorates are drawing down against.

Leisure and Culture

22. The provisional outturn overspend of £440k (6.6%) after using reserves is largely due to incorrect budget build in Countryside Access service and Adult and Community Learning, as well as historic incorrect income targets in Adult Community Learning.
23. The use of reserves is mainly respect of redundancy costs for the senior management review.

Transitional Costs

24. Transitional costs are reporting as £1.9M above the remaining transition budget available for this year. These include redundancy costs resulting from transition which is £1.5m higher than the original estimate, along with additional IT and staffing costs. Additionally there were consultancy costs for assistance with closing the three legacy authorities and disaggregating the County's balance sheet.

Risks to the outturn variance

25. Not included in this report are the Nominated Costs (costs incurred that are to be shared between Central Bedfordshire and Bedford Borough Councils) which to date total £876k. Central Bedfordshire's share could be up to £551k (63%).

26. As part of this year's final accounts process a review of the legacy authorities debtors and creditors balances are yet to be finalised. It is anticipated that there may be some minor revenue consequences as a result of this exercise, however it is too early to quantify at this stage.

Outturn variance: opportunities

27. As part of its year end procedures, the Authority reviews the integrity of its control and suspense accounts. This process includes the review of Purchase Orders that have been goods receipted during the last financial year that have yet to be matched to corresponding invoices. As a result of this exercise a credit of £300k can be allocated to the Authority's revenue account. Further review work is taking place in this area and the results of this review may increase the level of credit available to the revenue account.

CAPITAL POSITION

28. The provisional outturn for capital as at 31st March 2010 shows a net under spend of £9.2M.
29. The funding of the 2009/10 capital programme will be through use of capital receipts and borrowing. The reported under spend of the programme appears to show a reduced application of capital receipts by £1.4M and no borrowing, but the reality is that all capital receipts will be required and a reduced borrowing of £4.1M.
30. More importantly, at this time there is an expected slippage of £22.5M of expenditure into 2010/11, which indicates the schemes in 2009/10 have overspent by some £2.5M. The majority of this is in respect of Highways which exceeded the £15.2M budget by £1.9M (12.6%) due to Ridgmont Bypass £1.0M of which £0.682m was for compensation payments for a scheme completed during the lifetime of the former county council, and Structural Maintenance Block £0.7M.
31. Slippage is not automatically assumed and will be reviewed as part of the ongoing closure work.

IMPLICATIONS FOR 2010/11

32. The outturn position for both revenue and capital is better than expected as at December which in turn puts the Council on a firmer financial footing for next year. Nevertheless there was a £1.5M overspend at the year end and the impact of this on the 2010/11 agreed budget is being assessed.
33. There has been significant effort this year from cost centre managers and finance staff to understand the service cost drivers and volumes and ensure they are accurately reflected in the budgets. Additionally, now having a year's data, information and experience provides additional opportunity to compare, analyse and challenge the financial position.

34. The medium term financial plan requires a minimum balance on general reserves of £2.8M which, based on the revised approach to earmarked reserves has been exceeded, which provides additional assurance to financial sustainability and security for next year, albeit against a backdrop of a very challenging budget settlement.

REVENUE VIREMENTS

35. There have been the following virements between Directorates since December: £24k from Business Transformation to Children's Services to transfer the budget for a customer services adviser post, as the budget was originally held in the wrong service.
23k from Adult Social Care to Sustainable Communities for Domestic Violence services, to transfer the budget to the correct service area.
£109k from Children's Services to Corporate Resources for the school catering contract.
£12k between Children's Services and Corporate Resources for the transfer of HR related costs in respect of Children's Workforce Development.

KEY COST DRIVERS

36. For each Directorate a number of key areas of activity have been identified that have a significant impact on financial performance data. The non financial numbers are attached at appendix C which act as the key drivers for financial performance and costs.
37. It can be seen from the appendix that numbers and volumes have increased since April, particularly in Looked after Children and Adult Social care packages which is consistent with the financial outturns.

ACHIEVING EFFICIENCIES

38. 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 as the end of the year position. Details are shown at Appendix D.

RESERVES POSITION

General Reserves

39. The final revenue outturn position has significantly improved from the position as reported in December. The Medium Term Financial Plan requires a closing balance of £2.8M which has been exceeded as a result of reviewing the earmarked reserves policy and balances. With the current provisional outturn the Council will have a provisional General Reserve balance of £4.780M despite unexpected calls on the reserves during the year due to the £1.9M overspend on transition costs, contract resolution costs of up to £0.5M and the potential write off of an investment to the value of £0.6M. The table below sets out the position of general reserves.

40. Table A General Reserves

General Fund Balance	£M	£M
Opening balance		14.372
Less budgeted transitional costs	(15.400)	
Less additional transitional costs	(1.891)	
Less use to support Invest to Save programme	(0.708)	
Less contract resolution/investment write off costs	(1.100)	
		(19.099)
Add Un-earmarking of PFI Reserve	4.600	
Add transfer from earmarked reserves following review	6.408	
		10.925
Expected Closing Balance		6.281
Less Provisional outturn overspend		1.501
Provisional closing balance		4.780

Earmarked Reserves

41. Appendix E details the Earmarked reserves position for the Council. Central Bedfordshire inherited £19.9M of earmarked reserves (excluding schools and HRA) from the three legacy authorities of which £7.4m was in respect of the Schools PFI. This reserve has been un-earmarked and re-utilised to create two new earmarked reserves for redundancies and insurance and to pay back this years budgeted transition costs. As a result, £12.5M has been available for use in 2009/10 to support planned expenditure that relate to the reserve.
42. Services have planned to use £4.9M of these reserves, the details shown at Appendix E.
43. As part of the final accounts process a review of earmarked reserves policy and balances has been undertaken and as a consequence £6.408M has been transferred to General Reserves. This ensures General Balances are more robust and exceed the Medium Term Financial Plan aspirations. There are no equalisation reserves remaining as Earmarked reserves as these will be managed through General Reserve balances. The following four principles have been applied to determine where earmarked reserves should be held:

1. The overriding principle should be that earmarked reserves are held for known commitments, not for what might happen, which is the key purpose of General Reserves.
2. Second, there is merit in holding earmarked reserves to 'equalise' spend from one year to another for example but this should be for defined events and created where it is operationally essential – a good example is in respect of building a fund to support local elections every four years.
3. Third, earmarked reserves should be for significant activities. Holding small and numerous reserves does little for transparency and accountability. As such there should be a de minimis of £50K
4. Fourth, where funds are held on behalf of a third party or in respect of a grant given for a specific purpose.

WORKFORCE DATA

44. Good practice in the use of resources would suggest that the deployment of the workforce is monitored and evaluated as to their alignment to the priorities and budget allocation of the Council.
45. Matters such as the costs of staff sickness absence and the number of vacancies do have an impact on the financial outturn. Work will be done in the next financial year to report performance indicators for staff sickness absence and vacancies within the regular performance reports to the Executive. This performance will then be referenced more fully in the financial outturn report for 2010/11.

OTHER FINANCIAL INDICATORS

Aged Debt Analysis

46. Debt outstanding for Central Bedfordshire as at the end of March was £6.36M which is an increase of £2.17M since the £4.19M last reported to the Executive in December. This increase reflects end of year activity to ensure grant orders and income have been invoiced where due. A summary by Directorate is shown at Appendix F. The unallocated figure includes two large grants from the DCFS and Department of Transport that were not allocated to service areas at the time of reporting.
47. The inherited debt from Bedfordshire County Council is £3.1M which is a small reduction of £0.05M since December. £1.4M of this is with NHS Bedfordshire. Notification has been received that just under £1.2M has been approved for payment and discussions are ongoing to seek final resolution and settlement.
48. The Inherited debt from Mid Beds and South Beds District Councils now stands at £0.750M.

Payments

49. The overall performance as at the end of March, excluding schools is 81.6% which is a reduction of 3% on the performance as reported at December. This is mostly due to the SAP downtime where 5 days processing were lost, and data needed to be rekeyed. Additionally there has been a long term sickness in the payments team which has also affected performance.

Treasury Management

50. A full treasury management report is shown at Appendix G

Appendices:

- Appendix A1 – Summary of Revenue Position
- Appendix A2 – Table of forecast changes since last report
- Appendix B – Summary of Capital Position
- Appendix C – Key cost drivers
- Appendix D - Efficiencies
- Appendix E – Earmarked Reserves
- Appendix F – Debt
- Appendix G – Treasury Management Report

Background Papers: (open to public inspection)
None

Location of papers: N/A