Meeting:	**Executive**
Date:	**17 August 2010**
Subject:	**Quarter 1 Budget Management Report 2010**
Report of:	**Cllr Maurice Jones , Portfolio Holder for Finance, Governance and People**
Summary:	The report provides information on the forecast budget position as at 31st March 2011.

Advising Officer:	Richard Ellis, Director of Customer and Shared Services
Contact Officer:	Matt Bowmer, Assistant Director Finance
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 Council's value for money and enables 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):

Any staffing reductions as a result of compensatory efficiencies will be carried out in accordance with the Council's Managing Change Policy and in consultation with the Trades Unions.

Equalities/Human Rights:

Equality Impact Assessments were undertaken prior to the allocation of the 2010/11 budgets and each Directorate was advised of significant equality implications relating to their budget proposals.

Community Safety:

None

Sustainability:

None

Summary of Overview and Scrutiny Comments:

- The report will be presented to Central and Customer Services Overview and Scrutiny Committee on 6 September 2010.

RECOMMENDATION(S):

that the Executive

(a) Note the forecast outturn position of a £5.809M overspend

(b) Approve the £0.366M compensatory efficiencies as shown at Appendix B1.

(c) Endorse the actions brought forward by Directors to date and commitment to identify and implement actions to fully address the £5.809M forecast overspend; to be reported in the September report.

(d) Notes the £0.700M pressure arising from Appendix E costs and the need to bring forward further efficiency savings.

(e) Approves the reduced contribution of £0.167M to the Redundancy Reserve as set out in paragraph 35.

Reason for Recommendation(s):	*To facilitate effective financial management and planning*

Executive Summary

This report sets out the forecast financial position of the Council for 2010/11 based on the information available as the 30th June 2010. There are significant financial pressures reported giving rise to a forecast overspend of £5.809M. The majority of these pressures are new and emerging due to demographic pressures in Adult social Care, increased safeguarding referrals in Children's Services and inflationary pressures on Sustainable Community contracts. The commentary sets out the emerging actions being taken by Directors to address the gap. Given the low level of General Fund Balances it is essential that robust actions are both identified and implemented.

INTRODUCTION

1. This is the first budget management report to the Executive for 2010/11 and is the first budget produced for Central Bedfordshire which has had the opportunity to take account of business and financial intelligence from its first year of operation.

2. The 2010/11 budget includes £12.076M of efficiencies which are being specifically monitored by the Efficiencies Implementation Group. Good progress is being made in realising these efficiencies, but there are some risks to the achievement of these efficiencies detailed in this report. These are however mitigated through additional compensatory savings in order to deliver a balanced budget.

3. The Coalition Government announced details of its £1.66bn in year savings on 10th June which has a significant in year impact on Central Bedfordshire. The is a £1.505M reduction is mainly in respect loss of Area Based Grant along with the cancellation of Housing and Planning Delivery Grant (HPDG) an Local Area Business Growth Incentive (LABGI). The proposed spending reductions by Directorate were reported to the Executive on13th July for approval. The adjustments to the income and expenditure budgets in line with those proposals will be reflected in the September Budget Management Report.

4. Overall, 2010/11 is going to be a challenging year. There is continuous pressure to deliver quality services against the backdrop of reduced public finances, including reductions not planned for in the approved Medium Term Financial Plan.

REVENUE POSITION

5. Central Bedfordshire is experiencing new demands in a number of areas – continued upward trend on referrals for children with a view to assessment of their social care needs since the death of Baby Peter in Haringey; demographic pressures over and above the provision in the Medium Term Financial Plan for Learning Disability Transitions; and annual inflationary uplift of contracts in Sustainable Communities in excess of the 1.8% allowed for. The current revenue forecast position based on information available as at the end of the first quarter, is an overspend of £5.976M. This is a worst case scenario and is typical of first quarter forecasting in local government which focuses on emerging pressures.

6. The following table shows a summary by Directorate, the full breakdown by Assistant Director level is available at Appendix A. Budgets have been profiled where appropriate to give a more accurate variance to date and support justification of the forecasts. Commentary on the financial position of the individual directorates is set out at paragraph’s 11 to 33. This commentary includes emerging actions to address the £5.976M overspend.

7. Efficiencies from the Senior Management Review have been double counted with reductions which had also been included in the original budget efficiencies. These amount to £0.167M and it is proposed these are corrected by the reduction of the contribution to the redundancy reserve. This action will reduce this overspend £5.809M.

8. The report identifies emerging actions and whilst they will help bridge this gap they are not fully quantified at this time. However, there is more to be done; further detailed action is required and will be considered by Directors on a monthly basis before being reported to the Executive in the September Budget Management Report. There will be detailed action plans in place for each directorate.

9. As at June £10.930M of the £12.037M efficiencies are on track to be achieved. The £10.930M includes £0.366M of compensatory savings which require Executive approval to confirm their implementation. £1.145M remains 'at risk' and further compensatory efficiencies will need to be found if the risk materialises.

10. The Efficiencies Tracker summary is shown at Appendix B and details of the compensatory savings at Appendix B1.

. Table A: Revenue position by Directorate

Directorate	**Approved Budget £000**	**2010/11 Forecast Outturn £000**	**Variance (-) under/ overspend £000**
Children's Services	32,159	34,562	2,403
Contingency and Reserves.	1,455	1,455	0
Corporate Costs	18,891	19,083	192
Customer and Shared Services	21,867	23,467	1,601
Office of the Chief Executive	4,586	4,479	-106
Social Care Health and Housing	50,985	51,824	839
Sustainable Communities	47,197	48,244	1,047
Schools	-114	-114	0
Total	**177,0255**	**183,001**	**5,976**
Correct SMR double counting as per paragraph 7.			**167**
Revised Forecast			**5,809**

Note: the forecast outturn above is the sum of the forecast outturn and use of reserves – columns E and G in Appendix A

Children's Services

11. Children's services are forecasting an overspend of £2.4M. £1.5M is within the Children's Services Operations area of which £1.25M being due to the increase in the number of Children requiring social care intervention and Out of County placements.

12. £0.9M is within the Learning and Strategic Commissioning Service area. The majority of this is due to as yet unidentified savings (Music Service and Pupil Referral Unit) and redundancy payments due to the disaggregation of shared services with Bedford Borough Council. It is hoped that there will be sufficient funds remaining in the redundancy reserve to fund these costs once all the Council's efficiency redundancy costs have been met. Should the savings in the Music Service and PRU not be resolved by the time of the next quarterly report compensatory savings will be identified.

13. The Directorate is actively seeking alternative savings to bring the budget back in balance including freezing any discretionary spend, challenging high cost pupil placements and bringing forward staff reorganisations. All out of authority placements are being actively reviewed to ensure that plans are being appropriately progressed and where possible placement costs are reduced. The Music Service restructure is currently subject to statutory consultation and due to the HR timescale requirements the savings are unlikely to be achieved until January 2011.

Contingency and Reserves

14. Currently these are not reporting a variance and forecast to be utilised although to date no calls have been made on contingency.

Corporate Costs

15. Pressures due to some premature retirement costs being omitted from the budget are being offset by savings in financing costs. The reported overspend of £0.2M is due to incorrect budget build in the provision for members allowances.

Customer and Shared Services

16. The forecast overspend is £1.6M and is spread across most of the service areas in this Directorate, all of which are planning management action to considerably reduce the overspend.

17. Within the Customer and Systems service area £0.5M overspend is forecast due to staffing pressures and additional IT and maintenance costs. The need to stabilise the overall ICT infrastructure will continue to put pressure on this budget, but a restructuring of the service after completion of the Your Space programme in August is expected to considerably reduce this forecast overspend.

18. £0.2M in the Assets service area is attributable the likely non achievement of efficiencies and uncertainties of some property costs. This will be offset by savings generated by bringing the Property Development Contract (ex Mouchel) back in–house mid year.

19. For the Finance service areas £0.6M has been forecast mainly through pressures on staffing budgets arising from the continued use of contractors in Revenues and Benefits whilst developing a skills base following systems integration. There has also been a delay in implementing the restructuring of the finance team which has incurred additional costs. Action plans are being drawn up to identify savings to bring the budget in on target.

20. The loss of the transitional £0.8M funding available to HR in 2009/10 has put pressure on this service. The management actions are being implemented to address this and achieve the required in year efficiencies, although due to timing of the necessary staff reductions it is proving difficult to achieve all the required savings and there is a forecast overspend of £0.3M.

21. In Legal Services £0.08M of pressures have been identified relating to the need employ locum lawyers to support the Adult, Children’s and Education work. National adverts are currently in place to recruit permanent positions and compensatory savings will be found within the service to ensure the overspend is reduced.

<u>Office of the Chief Executive</u>

22. The forecast position is currently a £106k under spend after the planned use of reserves. This is all in the Strategy and Performance service area and is mainly attributed to staff vacancies.

23 The planned use of reserves is to support the Sustainable Neighbourhood Project, the Targeted Support for Empowerment Project and the Implementation of Community Engagement Work.

<u>Social Care, Health and Housing</u>

24. The forecast position is currently £0.840M over budget after the use of reserves. The forecast assumes full achievement of the 2010/11 efficiency target and the additional savings required to offset the loss of Area Based Grant. There are significant pressures on budgets, particularly 65+ demography and increases in high care costs. The challenging efficiencies built into this year's budget will not all be achieved but compensatory efficiencies have been identified to meet the target.

25. Overall, Adult Social Care is forecasting an overspend of £1.110M which is being offset in part by under spends in Commissioning services and Business and Performance services.

26. An over spend of £500k is forecast for external home care packages. Demand for community based packages has increases circa 4% compared to the same period in 2009/10 and the average cost has also increased by circa 6%, with a 12% increase in the high cost packages which reflects the increasing complexity and needs of clients.

27. There is a projected overspend of £240k on residential and nursing care relating partly to full year costs and also to changes in the demographics in Older People services. The non achievement of financially assessed income is also creating a small pressure.

28. There is a projected overspend of £250k on under 65 Physical Disability care packages.

29. There is a net pressure in Learning Disabilities assessment and commissioning of £0.500M where the costs of Transitions exceed the additional budget of £0.800M provided in the 2010/11 base. Also included are additional care package costs and unforeseen costs arising from the emergency closure of a direct services unit.

30. There are offsetting projected under spends within direct services and the Rapid Intervention and Intermediate Care Teams.

31. The Directorate is actively formulating options to identify savings to reduce the overspend. The key actions to achieve this include reviewing the BUPA contract to provide more cost effective service provision, the service delivery options within the Learning Disability contracts and reducing the costs of high care packages.

Sustainable Communities

32. The full year forecast position is £1.047M over budget with pressures in waste services (£0.6M), traffic management (£0.2M), community safety (£0.2M) and passenger transport (£0.1M). All of these areas have identified income budgets where there were no receipts in 2009/10 and first quarter 2010/11. Waste service had a £0.5M annual contractual inflation uplift in April 2010 at an indexation of 7.4%. However, the larger £3M contract to be renewed in October 2010 is forecast at about 4.0% uplift versus budget inflation of 1.8%.

33. The Directorate are actively seeking savings in order to achieve a balanced budget and particularly to adjust operations for the reduction in grants as notified by the Government: road safety £0.2M , and free swimming £0.15M.

Other Financial Issues

34. There are two areas of corporate risk that have yet to be included in the forecast outturn. Firstly, costs in respect of Appendix E for Your Space Project have been identified as £0.700M in a full year; work is ongoing to calculate the part year impact for 2010/11.

35. Directors are currently bringing forward outline proposals for efficiencies in 2011/12 and the medium term to address the financial pressures faced by Central Bedfordshire as reported in the Budget Strategy report, also on this agenda. There are emerging pressures in the current year along with the Appendix E costs set out above. Where possible directors will bring forward 2011/12 efficiencies into the current financial year in order to bring spend in line with budget at year end.

36 Secondly, £1.438M has been set aside from this year's budget to fund redundancy costs arising from the 2010/11 budget efficiencies. The full extent of these costs is yet to be identified.

CAPITAL POSITION

37. The current capital position based on the information as at 30th June shows the current programme as £68.924M and expenditure to date as £6.088M. Few schemes have had detailed business cases approved to enable them to start, the exceptions being rolling programmes such as highways structural maintenance. As a consequence spend to date is relatively low and is mainly in respect of schemes slipped from 2009/10 and the approved rolling programmes. Slipped schemes from 2009/10 have been identified at £8.104M (net) at this stage but will be reviewed as part of the overall Capital Programme Review which will be reported to the Executive in September. There have also been in year cuts to capital grants from Central Government and reductions are being made by Central Bedfordshire in response.

38. There have been delays in inputting approved schemes budgets into SAP due to the pressures of closure. As a result forecasts are not comprehensive. This will be corrected next month and comprehensive forecasts will have been supplied in time for the 2nd quarter report.

39. The budgets will also have been profiled to give a more accurate position of planned expenditure and actual expenditure. Additionally, any amendments to the programme following the Capital Programme Review will be incorporated.

REVENUE VIREMENTS

40. There are no virements requiring Executive approval.

KEY COST DRIVERS

41. The key costs drivers for each Directorate have been reviewed for 2010/11. These are where activity levels have a key impact on the overall Council's budget. These budgets are considered high risk to the financial stability of the Council and are therefore reported on specifically. Details are shown at Appendix D.

42. In Sustainable Communities planning fee income is below the value as at the same time last financial year which demonstrates the pressures reported and reflects the downturn in the economy.

43 Both Children's Services and Adult Social Care are experiencing increased numbers and increased costs for their client based services which supports the increased forecasts.

44. The increased case loads in customer accounts have so far been managed within current resources; however, further increases may result in additional overtime and staffing costs.

RESERVES POSITION

Earmarked Reserves

45. The closing balance for earmarked reserves was £10.5M excluding schools and HRA. Council approved an increase to the redundancy reserve of £1.438M in recognition of costs that may be required in order to meet this year's efficiencies. This increases the planned level of earmarked reserves to £11.9M. It is currently proposed to use £1.157M of earmarked reserves this year and there is an expected closing balance of £10.9M. Full details of the earmarked reserves are shown at Appendix E.

General Reserves

46. The closing balance on General reserves for 2009/10 was £4.711M which is below the policy minimum requirement. The MTFP allows for a reinstatement of reserves with an annual contribution of £1.9M. This brings the current balance to £6.6M which is above the minimum level identified for 2010/11 although below the optimum. It is imperative that expenditure is kept within budget to preserve this level.

OTHER FINANCIAL INDICATORS

Aged Debt.

47. Debt outstanding for Central Bedfordshire as at the end of June was £8.7M which is an increase on the £ 6.4M debt reported at provisional outturn. It is good news in that there is only a very minor amount still outstanding that is over 1 year old and 78% is under 3 months old. £6.066M of this debt is due from Bedford Borough which has put a hold on payments to Central Bedfordshire. Officers are working with Bedford Borough to remedy the position. Appendix F shows a breakdown of debt outstanding by Directorate.

48. Targets have been set for monitoring performance of debt recovery. They are a 2.5% reduction on balances as at the same time last year. Debt reporting was not available for the last financial year until September. Performance against the target will therefore be reported in the 2nd Quarter Report.

49. Outstanding debt for the legacy authorities has also reduced. Bedfordshire County Council debt now stands at £1.2M, a reduction of £1.5M since provisional outturn 2009/10 which is largely due to the final settlement of the NHS Bedfordshire debt and Mid and South Beds £0.6M which is unchanged. The outstanding legacy debts have now been passed to the Authority's debt collection agency.

50. The total debt written of for the first quarter 2010/111 was £66,697.18.

Payments

51. The following table shows the performance for the prompt payment of invoices:

Table C

	2009/10 Performance	2010/11 Performance
Target	90% at year end	90%
June Month	82.2%	81.8%
Year to Date	85.1%	86.0%

52. Performance is below target due to a backlog of invoice processing attributed to resource issues. There has also been a high volume of rejected invoices (no POs, no commitment) which continue to be monitored. Additional training/workshops are planned across the authority to increase understanding of P2P (procure to pay) process.

Treasury Management

56. Treasury management activities are on track in accordance with the current budget plan and the MTFP. There are no further debt restructuring activities planned.

Appendices:
Appendix A – Summary of Revenue Position
Appendix B – Efficiency Tracker Summary
Appendix B1 – Compensatory Savings
Appendix C – Summary of Capital Position
Appendix D – Key Cost Drivers
Appendix E – Earmarked Reserves
Appendix F - Debt

Background Papers: None

Location of papers: Priory House, Chicksands