
Meeting: Sustainable Communities Overview & Scrutiny Committee

Date: 14 December 2010

Subject: Budget Management Report for the Quarter ended 30th September 2010

Report of Portfolio Holder: Cllr David McVicar – Safer Communities & Healthier Lifestyles
Cllr Ken Matthews – Economic Growth, Skills & Regeneration
Cllr Tom Nicols – Sustainable Development

Summary: The report outlines the actual financial performance and full year forecast as at 30th September 2010.

Advising Officer: Gary Alderson - Director of Sustainable Communities

Contact Officer: Brighton Fong, Senior Finance Manager

Public/Exempt: Public

Wards Affected: All

Function of: Council

CORPORATE IMPLICATIONS

Council Priorities:

Sound financial management contributes to the delivery of the Council's value for money, enabling the Council to successfully deliver its priorities. In particular the Sustainable Communities budget has direct impact on the stated Council priorities of:

- Creating Safer Communities, and
- Managing Growth effectively.

Financial:

The financial implications are set out in the report.

Legal:

Financial provision has been made for legal cases involving large scale projects such as Ridgmont Bypass. The latter was a road infrastructure project completed several years ago under the County Council with residual claims working its way through the legal system. There is no indication that the planning appeals for Reach Lane Quarry, Totterhoe Quarry and Dukeminster development commenced in 2009/10 will increase liabilities in 2010/11. There have been no significant new legal cases reported by services that are expected to impinge on the revenue budget.

Risk Management:

Sustainable Communities apply corporate financial policies and procedures to manage financial risks across the directorate. Where necessary service specific solutions are developed to minimise the probability or impact of identified risks.

Staffing (including Trades Unions):

Changes to the staffing structure will be carried out in accordance with the Council's Managing Change Policy and in consultation with the Trades Unions. A number of staffing consultations are in progress that proposes to change the composition of teams in 2010/11 or in preparation for 2011/12 financial year.

Equalities/Human Rights:

As part of the budget management process, the Council must comply with the statutory Equality Duties. Decisions must therefore be made in such a way as to minimise unfairness, and to ensure that there is not a disproportionately negative effect on people from different ethnic groups, disabled people, and men and women. Equality Impact Assessments are being undertaken as required to support this process.

Community Safety:

There are no direct community safety implications at this time. However, any potential changes in budget provision for the services may impact on delivery of community safety priorities in the future.

Sustainability:

Sustainable Communities is the lead Directorate with regards to making Central Bedfordshire a more sustainable place to live and work, tackling climate change and reducing environmental impact. Many of the services delivered e.g. waste and highways directly control or influence this. The success of delivering against this agenda is directly related to how budget is managed.

RECOMMENDATION(S):

- 1. that the Sustainable Communities Overview and Scrutiny Committee notes:**
 - (a) The full year forecast under spend of £78k.**
 - (b) Actions undertaken by Management to work within budget tolerance.**

Introduction

1. The report sets out the financial position to the end of September 2010 and the latest forecast outturn position. The half year results show service income and expenditure patterns emerging after the changes introduced during 2009/10 and the early months of 2010/11. Service forecasts are also becoming more stable and robust as the management becomes more familiar with the revised operating structure. The variety of services within the Directorate makes it inappropriate to look for common operating patterns across all of the services. However each operational group under the control of the Assistant Directors are working towards a balanced budget position.

Executive Summary Revenue

2. The full year forecast position is on budget.
3. Table A below shows the variance to date and the full year forecast variance by Assistant Director. The financial performance of each operational group is covered in the following paragraphs. Appendix A1 provides a breakdown table by Head of Service area.
4. **Table A**

Assistant Director	Variance to date	Forecast variance at year end after use of reserves	Management Actions	Forecast outturn variance
Director of Sustainable Communities	(226)	(46)	0	(46)
Economic Growth, Skills & Regeneration	(198)	132	0	132
Highways & Transportation	(466)	29	0	29
Planning	(339)	(21)	0	(21)
Community Safety Public Protection Waste & Leisure	(1)	(172)	0	(172)
Directorate Total	(1,230)	(78)	0	(78)

5. Director of Sustainable Communities

The group comprises the Director's Office, Service Development and Central Bedfordshire Energy & Recycling (BEaR) Project. The £226k under spend to date reflects a £100k grant that was received for the National Competency Framework study, and deferred expenditure on advisory services under the BEaR Project £127k. The full year forecast under spend of £46k assumes that funds set aside of £30k for possible printing, media announcements, advisory services and consultations will not be required.

6. **Economic Growth Skills & Regeneration**

This group leads on the Economic Powerhouse agenda. The grants received as lump sum advances from East of England Development Agency and Department for Works & Pensions for economic policy work and employment initiatives explain the under spend to date of £198k. The forecast year end over spend of £132k is primarily due to recent decrease of the grant income from the Skills and Funding Agency for the delivery of Adult Skills provision.

7. Adult Skills and Community Learning is a shared service with Bedford Borough Council it has forecast an over spend of £159k. The level of operating costs covered by recharges has been renegotiated with the Borough. Staff and service reductions required to bring this budget into line with the funds available. A further review of the operational and management costs is continuing in 2011/10 as the new central government adult skill and learning policy and funds change. The short term pressure is the time that is required to fully consult and agree staff and services changes.

Economic Growth, Skills & Regeneration operational group has been able to absorb the overspend and variations in delivering a balanced budget and do not propose to draw on General Fund reserves to cover the forecasted overspend in the Adult Skills and Community Learning services.

8. **Highways & Transportation**

Highways & Transportation (H&T) covers the road infrastructure, traffic management and passenger transportation. Year to date expenditure of £5,481k was £466k lower than budget. Highways Contract and Traffic Management show half year under spends of £70k and £488k respectively. Street lighting electricity costs and road maintenance costs are usually lower in the summer months and picks up in the winter months. Parking receipts up to September was £443k higher than for the corresponding period last year.

H&T's full year forecast is for a break-even position. Since the last report, Traffic Management has reduced its forecast over spend of £50k to nil. Also, Passenger Transport has reduced its forecast over spend of £165k to £31k. This forecast reduction is subject to an additional £100k recharge to the schools for use of fleet vehicles.

Traffic Management has reduced its forecast over spend as the service has benefited from a one-off adjustment to fee income of £90k. The adjustment follows a recalculation of the receipts due from the car park management company once the volume data for 2009/10 had been finalised.

Passenger Transport's forecast over spend of £31k is related to concessionary fares support £51k and route support £204k. These two over spending areas have been partially offset by under spends in rural subsidy £200k and fleet management £36k. Passenger Transport received advice from industry specialist of contract uplift rate exceeding 9.4% compared to the budget 1.8%. This contract price inflation will affect most bus routes. Fleet Management has experienced higher vehicle maintenance charges as some vehicles have exceeded their economic lives. Fuel charges have also risen at a rate higher than the budgeted 1.8%.

The Passenger Transport Review has identified a number of key initiatives that will reduce the operating costs of the service in the future. Fleet replacement policy, bus route selection, and community transport schemes are areas where savings have been identified. Potential full year savings of over £300k is being consulted upon with the public with one quarter's savings possible in 2010/11.

9. **Planning**

Planning functions have been brought together under one umbrella. The group has a variety of income sources including grants, partnership contributions and customer fees that partially cover operating expenses. Albion Archaeology, Building Control, Joint Technical Unit (JTU) and Minerals & Waste all generate customer fees that cover part or all of running costs. Although the downturn in the economy has reduced application fee incomes, these services are expected to post results that are close to budget.

Expenditure to date was £339k lower than budget with payments for professional advisory services such as site studies £77k lower than budget. Staffing in the Housing Strategy unit was £150k below budget as a number of posts were held vacant pending the restructure of the team.

Development Management fee income to September was £157k higher than budget. However this has been nullified by the cessation of the Housing Planning Delivery Grant (HPDG) £166k. Staffing costs £26k, Professional Services £76k and General Expenses £60k were below budget.

Annual outturn variance is forecast to be flat after use of earmarked reserves as planned. Development Planning and Development Management were partly reliant on HPDG operating over three years to 2010/11 to subsidise operations. The change in Government has seen the cessation of the HPDG one year early. Therefore the group proposes to draw down £350k of ear marked reserves to cover net operating costs.

The Development Planning Service has estimated that the cost of conducting the Local Development Framework may approach £100k over the allocated annual revenue budget requiring a draw down of at least half of the ear marked reserve that was set aside for this purpose.

10. **Community Safety Public Protection Waste & Leisure**

Leisure service has been absorbed into this group, and there are plans to further consolidate teams and reporting lines in public protection. The two regional public protection units were merged from the beginning of the financial year to save management costs.

Expenditure to September was on budget. Leisure Services posted an under spend of £277k. This can be accounted for by lower costs in the play area grounds maintenance (£44k), delay in the charge for the Outdoor Education service level agreement (£68k), staffing (£45k), and discussion with the leisure management contractor over calculations of payments (£120k). Community Safety posted an under spend of £95k by carrying vacancies throughout the period.

11. Public Protection variance of £172k was mainly due to phasing of income in the last two quarters of the year. The bill to contributing authorities for the Regional Coordinator function will be issued in October. Income from licensed premises will be received in October or November following the revaluation of the National Non Domestic Rates. Income from pollution reduction will be received in the last quarter. Waste Services over spend of £212k was through higher charges for waste services due to green waste £103k, landfill site maintenance £21k, and grounds maintenance £11k. There were under spends in street cleansing £23k and waste communication through the delay in the production of the waste management strategy £46k.

The forecast variance is £172k below the operation group's annual budget of £22.1m. Community Safety makes up the largest contribution to this under spend with the service forecast to carry vacancies to the end of the year.

Executive Summary Capital Position

12. The capital programme by operational group is shown in Table B below. A breakdown by scheme is shown at Appendix B.

Table B

Assistant Director	Net Budget to date	Net Expenditure to date	Variance to date	Forecast Outturn variance
Director of Sustainable Communities	0	0	0	0
Economic Growth, Skills & Regeneration	106	291	185	0
Highways & Transportation	4,838	4,093	(745)	0
Planning	2,244	1,297	(947)	(783)
Comm Safety Public Prot Waste & Leisure	1,243	604	(639)	0
Directorate Total	8,431	6,285	(2,146)	(783)

13. The Variance to Date is due to the following schemes:

Scheme	YTD Budget	YTD Variance
Creasey Park Community Football Centre	£750k	£251k
Housing Schemes	£785k	£640k
Highways Integrated Schemes	£800k	£456k
Outdoor Access and Greenspace schemes	£306k	£266k
Street Lighting	£600k	£278k
Waste Infrastructure scheme	£193k	£193k

All of the above schemes are in progress and are expected to spend its allocation of funds by the end of the year other than the Housing Schemes.

14. The forecast annual position for the capital programme is expected to be £783k under budget. Affordable housing schemes are expected to slip into 2011/12 as housing development activity remains slower than planned. Section 278 schemes where developers contribute to the road infrastructure are forecast to be £800k below budget. The lower s278 forecast expenditure is matched to forecast income leaving a nil net effect on the capital programme. Again s278 schemes are treated as slippages into 2011/12 financial year as most of these schemes have some level of commitment from developers to proceed at some stage.

The annual forecast expenditure is £31,675k and forecast income is £21,621k. This leaves a balance of £10,054k to be financed under the Council's borrowing facilities.

Revenue Virements

15. Sustainable Communities received budgets from:

- Adult Social Care for domestic abuse services £23k
- Policy & Planning for climate change £57k
- Business Transformation for Dial-A-Ride transport £70k

Sustainable Communities transferred budgets to:

- Children's Services for youth participation £78k

Key Cost Drivers

16. Key Cost Drivers that were reported last year are provided below. This set needs to be expanded to cover the Leisure & Culture services as appropriate.

Cost Driver	Target	Current Performance	Previously Reported Performance	Comment
Tonnes of refuse sent to landfill.	52,541 tonnes	Apr-Sep 10 24,411 tonnes	Apr-Sep 09 25,728 tonnes	A key indicator within Waste as it is influenced by waste minimisation and diversion initiatives. Any waste sent to landfill incurs £48/ tonne landfill tax charge on top of disposal costs. Landfill tax set to rise by an additional £8 per tonne cumulatively over the next 2 years
Directorate achievement of employee costs budgets.	5% vacancy target (FTE)	Apr-Sep 10 Circa 10% of Budgeted 625 FTEs	Apr-Sep 09 6.6%	Payroll costs make up 35% of the Directorate's budget therefore achievement of vacancy targets is a good indicator of likely outturn.
Planning and Development fees.	£5.7m	Apr-Sep 10 £2.38m	Apr-Sep 09 £2.66m pro-rata	The current economic climate makes close monitoring of these volatile budgets essential.

Achieving Efficiencies

17. Efficiency savings for 20010/11 is set at £3,168k however this amount is overstated by £117k for the duplication of the staff savings in Public Protection and Waste Services.
18. Efficiency savings achieved to date was £1,851k compared to budget of £1,836k. The annual savings is forecast at £3,165k which is £2k less than targeted.

Table C – Efficiencies Summary

Service Area	Year to date			Full Year		
	Budget £m	Actual £m	Variance	Budget £m	Forecast £m	Variance
Sustainable Communities						
Efficiencies						
Community Safety, PPWL	0.563	0.578	0.015	0.787	0.787	0.000
Highways and Transport	0.403	0.403		0.403	0.403	
Economic Growth & Regeneration	0.455	0.455		0.541	0.541	
Service Development	0.059	0.059		0.611	0.611	0.000
Planning	0.356	0.356		0.826	0.823	(0.003)
TOTAL	1.836	1.851	0.015	3.168	3.165	(0.002)

Local Government In Year Grant Reductions

19. Communities & Local Government reduced revenue and capital grants in 2010/11. The grant reductions that affected Sustainable Communities are listed in Table D below.

Table D

Description	Grant Reduction	Savings Status	Notes
REVENUE			
Housing Planning Delivery Grant (HPDG)	£1,400,000	Achieved	The effect for 2010/11 will be minimised through use of ear marked reserve of previous year payments. The reduction will be addressed permanently as part of the 2011/12 budget.
Road Safety Grant	£204,000	Achieved	Casulty Reduction Partnership has reviewed operations.
Home Office community safety grant ABG	£24,543	Achieved	Community Safety Partnership projects reduced.
Free Swimming grant for under 16 yo and over 60 yo	£148,000	Achieved	Service has been withdrawn.
CAPITAL			
Road Safety Grant	£170,000	Achieved	Casulty Reduction Partnership has reviewed operations.
Integrated Transport Block Highways	£670,000	Achieved	Schemes removed from the capital programme.
Total	£2,616,543		

Reserves position

20. Appendix D sets out the earmarked reserves balances and the proposed use of £1.4m. The proposed usage is for grant funded projects, planning or development activities. Redundancy payments of £74k have been allocated against a corporate reserve rather than the Directorate's earmarked reserves.

Debt management

21. The level of debt increased this month by £182k to £1,882k. The increase is mainly due to a single bill raised against a developer for s106 contribution of £159k. The ratio of current debt has increased from 10% to 30% of the total amount outstanding. By contrast there was a shift of debt from the 3-month to 3-12 month category. One s278 debt of £315k account for most of the £325k shift.

Just over 77% of debt are associated with the following four activities:

- Developer s106 contributions £565k (30%),
- Albion Archaeology projects £385k (20%),
- Developer s278 contribution £315k (17%), and
- Market income £189k (10%).

In general the larger debts pose lower risks of default as the clients are well established businesses.

Table E – Debt Outstanding

Debt profile	>£100K	>=£50K	>=£10K	>=£1K	<£1K	Total	Age Ratio
No of debtors	6	3	14	52	195	270	
Current	£344	£50	£112	£47	£17	£570	30.3%
1 month	£45	£8	£27	£28	£11	£120	6.4%
2 months	£222	£0	£44	£12	£5	£282	15.0%
3 months	£55	£68	£39	£12	£1	£175	9.3%
3-12 months	£569	£57	£13	£58	£7	£704	37.4%
> 12 months	£14	£0	£0	£11	£6	£31	1.6%
Total Debt	£1249	£183	£235	£168	£48	£1882	100.0%

Appendices:

Appendix A1 – Net Revenue Position Full Analysis

Appendix A2 – Movement between quarterly forecast variance

Appendix B – Capital Scheme Monitoring: refer separate worksheet

Appendix C – Efficiencies

Appendix D – Earmarked Reserves

Appendix E – Debt Analysis

Background Papers: None

Location of papers: Technology House, Bedford