Meeting:	***Customer & Central Services Overview & Scrutiny Meeting***
Date:	**21 March 2011**
Subject:	**Quarter 3 Corporate Budget Management Report 2010**
Report of:	**Cllr Maurice Jones , Portfolio Holder for Finance, Governance and People**
Summary:	The report sets out the financial position to the end of December 2010 and the latest forecast position.

Advising Officer:	Richard Ellis, Director of Customer and Shared Services
Contact Officer:	John Unsworth, 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 Council's value for money and enables the Council to successfully deliver its priorities. The recommendations will contribute indirectly to all 5 Council 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

RECOMMENDATION(S):

1. that the Committee

(a) Notes and considers this report

(b) Considers any issues from this report that could form part of their work programme

Executive Summary

This report sets out the actual spend to date and the forecast year end financial position of the Council for 2010/11, based on the information available as at 31 December 2010. Latest forecasts indicate a significant improvement since the last quarter report.

The Council continues to experience a significantly increased demand for many of its critical services including:

- a 7% increase in community based care packages for the 65+ age group;
- a 8% increase in numbers of children requiring social care interventions; and
- a 11% increase in demands on the benefits services as a consequence of recessionary pressures.

Central Bedfordshire has also suffered in year funding reductions of over £2.0M as a result of the new Coalition Government's Emergency Budget which has imposed additional pressures for 2010/11.

As a consequence, the latest revenue forecast to year-end identifies pressures of £1.954M, over budget. This forecast assumes no further management action and is based on expected and known service commitments. This is a significant improvement of £1.297M on the quarter 2 position and is evidence that the number of management actions implemented this year have been successful. The overall forecast outturn has reduce by £3.9M since the first quarter report as consequence of reducing expenditure on the BUPA residential care contract, Learning Disabilities transferred services from the Health Service, holding vacancies and bringing forward 2011/12 efficiencies.. Nevertheless, there can be no let up in the efforts to curb discretionary spend.

Whilst there is a positive year to date variance of £2.906M this position will not be sustained into the last quarter of the financial year. Grants and income have been received earlier than expected and unspent grants, contingency and capital financing costs are currently being held to offset costs that are unlikely to be fully reflected until the last quarter of the financial year. Additionally, some unspent grant income is proposed to be transferred to earmarked reserves at year end to fund project expenditure that will be incurred next year.

The capital monitoring sets out year to date spend against the approved budget profile and the forecast year end position. The capital reporting indicates that the capital programme is behind programme by £10.875M as at December with a year end forecast of £4.776M under budget. This is good news in that there are savings of £0.866M on this year's spend, and £3.910M has been deferred to future years whilst the capital programme review has been in progress.

1.INTRODUCTION

1.1 This is the third quarter budget management report to the Executive for 2010/11. It sets out spend to date against the approved profiled budget and the forecast financial outturn based on the information available as at 31 December 2010. Despite the increasing demands on some critical services, and the in year budget cuts, forecast pressures are being actively managed. This report shows a reduction of £1.297M in the forecast position since the mid-year report.

1.2 The 2010/11 revenue budget includes £12.076M of efficiencies which are being specifically monitored by the Efficiencies Implementation Group. £11.987M of these savings is on track to be delivered by the end of the year (compared to £11.666M reported in quarter 2.

1.3 The capital reporting indicates that the capital programme is behind programme by £10.875M as at December with a year end forecast of £4.776M under budget. This represents an under spend of £0.866M and slippage of £3.910M.

2. REVENUE POSITION

2.1 The current revenue forecast position based on information available as at the end of the third quarter identifies pressures of £1.954M, which takes into account expected expenditure commitments for the last quarter of the year. Continued work will be undertaken to further manage these pressures, hence the continuation of the recommendation to curb discretionary spend in order to deliver a balanced budget position at year end. A third quarter close is underway which will make an assessment of a number of balance sheet accounts ahead of closure of the accounts.

2.3 The year end forecast includes £2.208M of compensatory efficiency savings which builds on the £1.390M shown in the 2nd quarter report. The thermometer shown at Appendix A3 provides a summary of progress in delivering £11.987M of the £12.076M 2010/11 budget savings together with the savings still 'at risk'. Additional compensatory savings not already reported are also shown at Appendix A3(i). Where these compensatory efficiencies are a permanent replacement from the original budget assumptions they have been approved by the Portfolio Holder for Finance, Governance and People in consultation with the relevant Directors, Portfolio Holders and Chief Finance Officer.

2.4 There have been a number of management actions implemented this year which have been successful in reducing the year end forecast position by £3.9M since the first quarter report. Such measures have included, expenditure reduction on the BUPA residential care contract and Learning Disabilities transferred services from the Health service, holding vacancies, bringing forward 2011/12 efficiencies (e.g staffing reductions and contract changes) and using earmarked reserves.

2.5 The actual position to date is below budget by £2.906M This is indicative of a number of grants being unspent to offset expenditure in the last quarter of the year, or proposed to be transferred to reserves at year end as well as unspent contingency.

2.6 The following table shows a summary by Directorate, the full breakdown is available at Appendix A.

2.7 Table A: Revenue position by Directorate - Paragraphs 2.5 to 2.25 provide further commentary.

Directorate	**Approved Budget £000**	**Forecast Outturn after use of Earmarked reserves £000**	**Variance to Date (-) under/ overspend £000**	**Forecast Outturn Variance(-) under/ overspend £000**
SCHH	50,976	51,182	-1,118	204
CS	34,226	35,648	574	1,422
SC	47,310	46,820	-770	-490
C&SS	22,057	24,254	1,267	2,197
OCE	4,469	4,237	-527	-232
Contingency and Reserves	4,467	4,066	-986	-1,100
Corporate Costs	15,437	15,373	-1,638	-64
Schools	-1,916	-1,899	294	17
Total	**177,026**	**179,715**	**-2,906**	**1,954**

Social Care, Health and Housing

2.8 For older people, care package expenditure is over budget by £1.647m (£1.468m for quarter 2). The main cause of the pressure in residential and home care is because of the increase in volumes and the increased complexity of care required

2.9 For people with learning disabilities, care package expenditure is over budget by £0.713m (£0.570m for quarter 2). This reflects higher than budgeted transitions costs plus costs arising from the emergency closure of an in-house respite unit and additional cross boundary charges.

2.10 Physical Disability service costs are also showing a projected increase over budget of £0.354m (£0.214m for quarter 2), the main pressure being that of residential care.

2.11 The above pressures are to some extent being off set by under spends on pay and other direct service costs. It is also important to recognise that efficiencies are being realised through the Reablement service and so the effect of this pressure identified above could be far higher.

2.12 The overall forecast outturn position captures the full year effect of care packages including those that will be paid for during the last quarter of the financial year for both Older People and for Transitions. This is the main cause of the difference to the year to date under spend position.

2.13 An estimation of the pressure of a national Care Provider deregistering its care homes for adults with a learning disability has now been identified in the draft budget for 2011/12 and 2012/13. The potential impact for Central Bedfordshire is that there may be up to 32 people who might require care packages to be funded. The Council is still unclear on the actual impact until a full assessment of need have been carried out on these people.

2.14 On a more positive note, nationally the government has made available an additional £70 million to Primary Care Trusts (PCT) in 2010/11 to work with Local Authorities and other partners to facilitate seamless care for patients on discharge from hospital and to prevent avoidable hospital readmissions. Central Bedfordshire is likely to receive a share of £0.238m for this purpose and plans are being formulated to utilise the additional funding.

2.15 This will involve increasing capacity in the Councils Reablement Service with a focus on supporting safe discharges and preventing re-admissions of those discharged, spot purchasing equipment and assisting people following their stay in hospital

2.16 Clearly this additional funding will be of great benefit to the Council but it is difficult to know at this stage how much of this will be used in 2010/11. Further allocations will be made in 2011/12 although we are yet to fully understand what will become available from the PCT

2.17 The overall position shows an improved position moving to an over spend of £0.204m compared to the projected over spend of £0.574m at the end of quarter 2.

Children's Services

2.18 The full year forecast position is £1.43M over budget at the end of December 2010 compared to an overspend of £1.40m at the end of September 2010.

2.19 The overspend mainly relates to the number of children requiring social care intervention and also out of county placements for children with special educational needs. The needs led pressure on the social care and special educational needs budgets remain and have been contained as much as possible by management action to challenge resource allocation on a case by case basis. The pressures are comparable to the pressures experienced by other Councils in this financial year, following the report into the events arising out of the death of baby Peter in Haringey. The Local Government Association has recently reported an 20 % increase in pressures. There is a major pressure regarding the recoupment charges with Bedford Borough, which is being discussed. Children with disabilities budget build errors are adding further pressure. Savings in the PRU remain at risk and are subject to the ongoing re-commissioning process however in year compensatory savings have been made. The commissioning process will take account of planned savings and will also seek to improve the quality of service delivery.

2.20 The forecast overspend in Safeguarding and Children relating to the increased numbers amount to circa £2.12M.

2.21 Management action continues to be taken to address overspend in special educational needs budgets. At their September meeting the School Forum agreed to contribute £0.35M in 2010/11 from the Special Educational Contingency budget to fund the pressure on out of authority placements. In addition £191k of reserves originally set aside for Autistic Spectrum Disorder, which has not been required for that purpose, has also been used against this pressure.

2.22 Children's Services have reduced budgets by £1.172M (ABG) in line with the Coalition Government reductions and the current forecast position is that these in year cuts will be achieved. However, it has emerged following ministerial announcement that expectation exists that Connexions staff will need to be retained to fulfil some statutory requirement and therefore the full saving may not be achieved. A contingency of £175K will be set against the Early Intervention Grant in 2011/12. In those instances where schools received funding from the reduced ABG grants – schools have now been invoiced the 24%, being the pro-rated cut, to enable recovery of the funds and 'sharing of the reduced funds'. Subject to all the staffing proposals in the 90 day staffing consultation Children's Services will be able to absorb most of the full year effect.

2.23 In year savings in the Music Service will be partly achieved against the Music Standards Fund (MSF). The future of this fund is subject to a national review 'The Henley Review' which reported its findings in February 2011. The implications for Central Bedfordshire Council are being considered.

2.24 The small change in forecast this month is due to a number of revisions across cost centres as forecasts are being refined and the effect of grant movements is rationalised.

2.25 To explain the actual to date overspend (excluding schools) of £571K, this is lower in the first part of the year due to the freezing of discretionary spend against unspent un-ringfenced grants and the use of reserves and provides a front-loading effect.

Sustainable Communities

2.26 The third quarter forecast under spend of £490k is a £413k improvement in the financial position compared to the second quarter forecast under spend of £77k. Each division under the control of the Assistant Directors have and continue to work toward achieving budget targets.

2.27 The final size of the Directorate under spend is subject firstly to expenditure on responsive repairs, gritting and snow clearance of the road network. Under the highways contract routine winter maintenance costs rests with the contractor. However the Council faces some risk where the maintenance work extends outside of the winter period, for example, occurrence of snow in early Autumn or late Spring and the need for additional gritting or snow clearance. With half the winter to come there is still some risk that severe weather will eat into the forecast under spend.

2.28 Secondly, the under spend is subject to planning and building applications which generate income for the Council. These income streams make up about £2.5m in fee income which varies according to demand. Both the number and scale of planning and building projects influence income. A large scale complex development can skew income receipts in any one year.

Customer and Shared Services

2.29 The full year forecast position following planned use of reserves identifies pressures of £2,197k. This is an increase of £362k since the quarter two report.

2.30 The key reasons for the forecast variance are the same as reported in the previous quarter, but the reasons for the further increase in quarter 3 being budget build pressures in respect of the payroll contract, print room, reduced rental income and unachievable income targets in ICT as well as contractor costs in the Revenue and Benefits service to address the caseload backlog. These have been offset where possible by holding vacancies, reducing disaster recovery costs and ICT maintenance costs.

Office of the Chief Executive

2.31 The full year forecast position is £232k (5.2%) under budget. This incorporates planned contributions of £285k from earmarked reserves. This reserve funding, the majority of which is set aside from external resources, relates to specific activity not included in base budget funding.

Corporate Costs

2.32 The forecast for Corporate costs is showing a £65k under spend due to reduced Audit Fees reflecting a reduced amount of work being carried out. The actual to date under spend reflects the under spend on capital financing costs which will be offset by unbudgeted premature retirement costs payable at the end of the year.

Contingency and Reserves

2.33 Contingency and reserves is forecast to be £1.1M underspent. Following the finalised audit of the 2009/10 accounts the planned contribution to General Reserves has been reduced by £400k as the review of opening balances and creditors identified some minor adjustments.

2.34 It was agreed in the quarter 2 report to hold £0.7M contingency to offset 'Appendix E ' costs that were not fully reflected in the forecasts at that time. It is now appropriate to release this balance to offset the costs that are now likely to be fully incorporated in the services forecasts.

Other Financial Issues

2.35 Calls on the redundancy reserve have been identified as: £1.251M for the Senior Management Review; £0.3M for other known in-year actions; and a further £0.823M is estimated for Area Based Grant (ABG) related redundancies.

2.36 The LSP have agreed that part of the LAA1 Performance Reward Grant monies will be given as a contribution to parties in the LSP, including this Council, for those redundancies arising as a direct result of the Government's withdrawal of Area Based Grant. It is anticipated that a balance of £0.482M will be available for ABG closure costs.

2.37 The redundancy reserve has been increased by £1.5M to mitigate the pressures and any redundancy costs incurred from the 2011/12 efficiency proposals impacting on the current financial year.

2.38 In addition, the CLG has given a capitalisation directive to enable £431K to be treated as capital and take the pressure of the revenue budget. The Council's bid was scaled back by CLG but Central Bedfordshire has fared better than many authorities who received nil.

2.39 In preparation for closure of the accounts, a third quarter close is underway. It is expected there will be some benefit to the revenue outturn position as this work concludes due to the finalisation of the legacy authorities' debtor and creditor balances, balance sheet cleansing in respect of goods receipting/invoices receivable and a review of earmarked reserves balances.

2.40 The following table B summarises the position in terms of use of the Redundancy Reserve:-

2010/11 Redundancy Position	£000	£000	£000
Original Reserve available		-1,528	
Redefinition of Dunstable Town Master plan reserve		-1,500	
Capitalisation Directive		-431	
LSP contribution		-482	
Total funding available			**-3,941**
Less Use of reserves			
Funding of SMR efficiencies double counted		167	
2010/11 Budget efficiencies and SMR			
- Redundancy	565		
- PILON	147		
- Actuarial Strain	539	1,251	
Estimated costs associated with ABG reductions			
-Redundancy	586		
- Actuarial Strain	237	823	
Other estimated Redundancies		298	
Total estimated costs			**2,539**
Balance remaining			**-1,402**

2.41 Appendix A5 shows graphically the spend trends based on actual to date monthly spend for the current year compared to the same time last year. Graph 1 compares actual spend between the years and projects to an outturn on a linear basis. This indicates that the actual to date is lower than at the same time last year. This supports the forecast outturn which is also lower than at the same time in 2009/10.

3. REVENUE VIREMENTS

3.1 Details of the virements actioned during quarter three are shown at Appendix A4

4. CAPITAL POSITION

4.1 As at the end of December the capital programme is showing to be £10.875M behind programme. However, at year end the forecast is to be under programme by £4.776M. This Is good news in that this represents a saving on this years spend of £0.866M and £3.910M has been deferred (slipped) to next year as a consequence of the detailed capital programme review.

4.2 A summary position by Directorate is shown in table B below with a more detail breakdown shown at Appendix B.

4.3 Table C Capital Summary

	Revised Full Year Budget	Position as at December			Full Year Forecast Variance
		Budget	Actual	Variance	
Directorate	**£000**	**£000**	**£000**	**£000**	**£000**
Social Care, Health and Housing	2,562	1,029	-917	-1,946	-423
Children's services	3,492	2,384	2,424	40	97
Sustainable Communities	10,436	11,906	5,356	-6,550	-2,926
Customer and Shared Services	7,793	6,355	4,283	-2,072	-1,279
Office of the Chief Executive	260	0	0	0	-45
Sub Total	**24,543**	**21,674**	**11,146**	**-10,528**	**-4,576**
HRA	6,174	4,107	3,760	-347	-200
Total	**30,717**	**25,781**	**14,906**	**-10,875**	**-4,776**

Social Care, Health and Landlord Services

4.4 The year to date variance on the General Fund programme is predominately due to delays in payment of schemes under the Campus Closure. It is now recognised that this programme will slip into 2011/12 and 2012/13.

4.5 The year end forecast position of £0.423m is as a result of estimated slippage on the Timberlands project (£0.103m), Empty Homes (£.0160m) and Renewal Assistance (£0.160m) into 2011/12. This has been captured as part of the Capital Programme budget for 2011/12.

4.6 For the Housing Revenue Account, there has been some delay in payments for capital works which explains the year to date under spend.

4.7 In respect of the year end forecast under spend, there is recognition that there will be no future capital resources from Right to Buy receipts. Therefore reducing the expenditure programme on an annual basis will help with the future capital programme strategy. The £200k set out above is an early step towards protecting the future programme.

Children's Services

4.8 The revised 2010/11 budget is £3.49m and the full year forecast position is £3.59m.

4.9 The variance on actual of £40k derives principally from final invoices on pre 2010/11 schemes.

4.10 Work is ongoing to improve financial monitoring of a number of capital schemes to increase confidence in forecasting.

Sustainable Communities

4.11 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.

4.12 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.

4.13 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.

Customer and Shared Services

4.14 There are currently two proposed scheme slippages:

Corporate Property Block Budget	£1,000k
T Gov Partnership (CRM)	£ 75k

4.15 Additionally, there is a forecast under spend of £200k against the Medium Term Accommodation Programme (Your Space) and ICT is forecasting a £120k overspend against budget, for commencement of the CBC Network Project which is included in a scheme within the proposed capital programme for 2011/12.

Office of the Chief Executive

4.16 The forecast under spend is in respect of the performance management system project which all assumed to slip to 2011/12.

5. KEY COST DRIVERS

5.1 The key cost drivers are shown in Appendix C. These drivers identify some of the budgets that have a significant impact on the forecast outturn and variances. They provide non financial data to support the evidence for variations.

5.2 In both Adult Social Care and in Children's Services the trend in respect of client numbers and average costs has increased since last financial year and is on-going during this financial year.

5.3 For Sustainable Communities planning fee income this year has consistently been lower than 2009 levels, and below budget leading to budget pressures. Whilst the amount of refuse sent to landfill increased by 1000 tonnes year to date compared to last year, this is within the bounds of normal fluctuation. The authority continues to perform well in terms of percentage of waste sent for recycling and composting.

5.4. In Customer and Shared Services the trend shows increased case loads for Benefits claimants of circa 11% which is attributable to the current economic climate.

6. RESERVES POSITION

Earmarked Reserves

6.1 The overall planned level of reserves stands at £12.2M. £2.917M of these earmarked reserves has been forecast to be used this year by Directorates. Assuming that the closing balance on the redundancy reserve will be £1.402M (as per Table B) the overall closing balance on earmarked reserves will stand at £8.751M. Full details of earmarked reserves are shown at Appendix D.

General Reserves

6.2 The final 2009/10 closing balance on General Fund has now been agreed following the audit. This has increased from £4.7M to £5.1M. As a consequence the planned contribution to general fund can be reduced by £0.4M to offset current budgetary pressures. The General Fund balance will then stand at £6.6M at the end of the year.

6.3 However, the balance on the General Fund would reduce to £3.9M should the current forecast overspend materialise. It is imperative that remaining expenditure pressures are brought in on target as this would result in there being inadequate general fund balances.

7. AGED DEBT

7.1 Debt outstanding as at the end of December was £12.440M. This represents an increase of £5.221M since last quarter. £2.2M is in respect of Learning Disabilities services and Campus Closure capital costs due from the NHS where they first need to recover the money from the Government department. Additionally, £3.2M of the increase is also due to a single invoice raised with Bedford Borough Council to enable the transfer of Growth Area Funds from them as an accountable body. As this debt falls due when the contract is formally signed, likely to be in April 2011, this invoice will be cancelled and reissued to align with the contract.

7.2 Whilst there is an increase in the total level of debt since September the debt over three months old is relatively constant at circa £3M, and the profile has improved where 30% of the debt is over 3 months old in comparison to 54% as at September. Additionally, it is worth noting that there is very little debt over 1 year old. A breakdown by Directorate is shown at Appendix E.

7.3 Outstanding debt for the legacy authorities has reduced since September being £0.9M for Bedfordshire County Council and £0.6M for Mid and South Beds.

7.4 There was a total of 69 debts written off in quarter 3 totalling £37,873.93.

Appendices:
Appendix A – Summary of Revenue Position
Appendix A1 – Quarterly Change in Forecasts
Appendix A2 – Efficiencies
Appendix A3 – Compensatory efficiencies.
Appendix A4 – Revenue Virements
Appendix A5 – Spend trend graphs
Appendix B – Summary of Capital Position
Appendix C – Key Cost Drivers
Appendix D – Earmarked Reserves
Appendix E – Debt

Background Papers: None

Location of papers: Technology House, Bedford