Meeting:	***Customer & Central Services Overview & Scrutiny Meeting***
Date:	**21st March 2011**
Subject:	**Budget Management Report Quarter ended 31st December 2010 for Customer and Shared Services**
Report of:	**Portfolio Holder for Finance, Governance and People, and the Portfolio Holder for Customer, Systems and Assets**
Summary:	The report sets out the financial position to the end of December 2010 and the latest forecast position.

Contact Officer:	Director of Customer & Shared Services
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

Financial:

The financial implications are set out in the report

Legal:

None

Risk Management:

None

Staffing (including Trades Unions):

None

Equalities/Human Rights:

None

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

Introduction

1. The report sets out the financial position to the end of December 2010 and the latest forecast position.

Executive Summary Revenue

2. The full year forecast position following planned use of reserves identifies pressures of £1,033k (2.5%).

3. The Director of Customer and Shared Services budget 2010/11 is set at £41,960k.

4. The key reasons for the forecast variance are, firstly within AD Customers & Systems there are staffing and contractor cost pressures, additional IT support and maintenance costs, and unachievable income targets. Secondly, within AD Finance there are staff cost pressures as a result of maternity cover, restructuring delays and salary protection. Thirdly, within AD Assets there are pressures around income achievement and some unforeseen property costs. Additionally, within AD People pressures are being forecast against the payroll contract together with staffing cost pressures due to the loss of Transitional funding from 09/10. Within Head of Legal & Democratic there are pressures due to a reduction in income together with the need for use of specialist agency staff. These pressures are being mitigated in part by a reduction in the forecast contribution to reserves and the release of contingency to cover Appendix E pressures throughout the Authority.

5. The forecast has decreased by £412k since quarter two. The key movements within the last quarter are as a result of:

An increased forecast of £379k within AD Assets mainly due a pressure of £145k within School Catering due to an unrealisable income target transferred over from Children's Services. Pressure surrounding printing at Priory House of £115k and £116k of pressure on staff cost budget, overtime and Agency cost within Maintenance and Facilities.

An increase in forecast of £289k within AD People due to pressures being forecast against the payroll contract £141k, transferred over from AD Finance, a £107k pressure on HR staff cost budget and £27k pressure on HEART for the loss of its main customer.

An increase in forecast of £68k within AD Customer and Systems mainly due to unachievable income targets of £276k, re-appraisal of contractor costs £44k, offset by a Disaster Recovery saving of (£150k) a reduction in ICT Software and hardware costs (£100k).

An increase of £83k within AD Finance mainly due to an increase in contractor costs £372k, offset by a reduction in salary costs (£277k) and an under spend within AD Finance (£20k) following a general review.

A reduced forecast in Corporate Costs for interest payable (£113k) and Audit Fees (£30k)

A release of (£700k) Contingency to cover Appendix E pressures throughout the Authority and a reduced contribution to reserves of (£400k).

6. The following Table A shows a summary position analysed by Assistant Director, with more detailed commentary in the following paragraphs. Appendix A1 provides a more detailed analysis by service budget and Appendix A2 the change in forecast outturn since the last report.

7. Table A

Assistant Director	**Variance to date**	**Forecast variance at year end (after use of reserves)**	**Management Actions**	**Forecast Outturn Variance**
	£000	**£000**	**£000**	**£000s**
Dir. Customer & Shared Services	(49)	(76)	0	(76)
AD Customer & Systems	737	546	0	546
AD Finance	372	646	0	646
AD People	431	539	0	539
Head of Legal & Democratic	(133)	(254)	0	(254)
AD Assets	(126)	796	0	796
Sub Total Customer & Shared Services Operational	**1,232**	**2,197**	**0**	**2,197**
Corporate Costs	(1,638)	(64)	0	(64)
Sub Total before Contingency & Reserves	**(406)**	**2,133**	**0**	**2,133**
Contingency & Reserves	(986)	(1,100)	0	(1,100)
Director of Customer & Shared Services	**1,392**	**1,033**	**0**	**1,033**

8. Assistant Director – Customer & Systems

Head of ICT

Of the net pressures of £546k within AD Customer & Systems, £663k has been identified in ICT, of which £551k relate to staff and contractor costs; high consultancy costs are due to back fill for project work and SAP support to cover vacancies. There is an unachievable income target of £276k built into base budget for services no longer carried out by ICT. In addition to this, software licence and maintenance net costs amounting to £120k have been identified by the business during the last 12 months. These pressures have been partly offset by £134k furniture & equipment saving, and £150k Disaster Recovery Saving.

Head of Customer Services

There is an under spend forecast in the region of £133k against staff costs in Customer Services as vacancies are not being filled to meet efficiency targets, and a pressure of £24k in Coroners Service due to under funding of HM Coroners post with an additional £6k due to an inability to compensate for over budgeted recharges.

9. **Assistant Director – AD Finance**

AD Finance

There is an anticipated saving of £50k following a review of expenditure, partly offset by a forecast net pressure of £30k for completion of IBS project.

Revenues & Benefits

Customer Accounts shows a net forecast pressure of £393k, mainly due to a £623k overspend on Contractor costs following the systems conversion; agency staff have been retained longer than anticipated whilst building on the skills base. This has been partially offset by salary slippage £258k, an increase in Housing Benefit payments of £119k, and increased Admin Subsidy £107k in line with DWP 2010/11 Mid Year Estimate Form.

In Revenues there is an increase in staff costs of £57k due to posts previously funded from transitional budget together with an inability to achieve vacancy savings, and unbudgeted Appendix E costs. There is also a £66k pressure on bank and card charges and a £29k pressure due to the council tax single person discount and empty property reviews. These are partly offset by additional income of £29k from DCLG for 'Efficiency on Council Tax bills' and 'New burdens business rate relief', a saving of £14k on general expenditure and £17k income from credit card surcharges from customers.

Financial Management

There is a net forecast pressure of £111k largely due to Agency Staff covering vacant posts and maternity leave, delay in implementing the restructure, salary protection associated with the restructure, and a loss of income £15k due to training facility not being available in Bursary Services.

Financial Strategy

There is a net forecast pressure of £59k mainly due to agency staff filling vacant posts, partly offset by additional income from commission from Schools buy back and legal insurance cover within Insurance Management.

Audit

There is a £12k pressure due to a delay in the Senior Management review.

10. **Assistant Director – People**

AD People has a year to date pressure of £513k and following planned contributions from reserves has a forecast pressure of £539k.

The forecast position includes a £483k pressure against the HR staff cost budget, a £26k pressure against the Heart Supply Agency budget, a £26k pressure against the Occupational Health budget, a £7k pressure against the HR professional services budget and a £141k pressure against the Payroll Processing budget. These pressures are partly offset by forecast under spends of £112k against the Organisational Development and Corporate Training budget, £17k of unbudgeted recharge income and £15k against the Health and Safety professional services budget.

The pressure against the staff cost budget is due to a reduction in the staff cost budget since 2009/10 which has not yet been offset by a corresponding reduction in staff numbers.

The pressure against the Heart Agency Supply budget is due to the loss of one of the Agency's key customers, Greys Education Centre. Ongoing monitoring is required to ensure that the full extent of the loss of this customer has been recognised in the forecast.

The pressure against the Occupational Health budget is due to the actual costs for quarter one, quarter two and quarter three being higher than costs for 2009/10 upon which the reduced budget was based. This budget was reduced earlier in the financial year when £70k was transferred to the HR staffing cost to help mitigate the forecast over spend.

Since 2009/10 the Income budget for the CRB team has increased by £15k. In order to generate this additional income, HR will need to ensure that they review the current level of their administrative charge which is applied to external customers and fully funded schools.

11. **Head of Legal & Democratic**

There is a forecast under spend of £254k.

The forecast includes savings of a part year salary cost for AD Governance and Head of Democratic Services posts, together with unbudgeted procurement rebates.

In respect of the Legal Services, there are particular pressures on the salaries budget caused by the continuing need to employ a locum lawyer to cover the vacancy in the Adults, Children and Education team. Two posts have now been filled but one still remains vacant. The vacancy is currently being advertised nationally. There is also a problem with the income target which was set for 2009/10 and has been increased in 2010/11; the target assumes that income will be generated from legacy BCC external contracts which were not passed to CBC on 1 April 2009. In addition to this, income from section 106 agreements etc. has suffered as a result of the downturn in the housing market.

12. **Assistant Director – Assets**

AD Assets are currently forecasting a pressure of £796k. This is due to a number of reasons:

The final agreement is still to be reached around some areas of recharges from Bedford Borough Council.

Pressures surrounding staffing costs within Capital Development, Property Business and Maintenance and FM.

There are pressures within Surplus Properties, Bedford Square, County Hall, and County Farms.

There is a pressure of £145k in School Meals, partly due to an unrealisable income target transferred over from Children's Services.

Additionally, there is a forecast pressure in Development Disposals of £150k, though this is being met by use of Contingency.

13. **Corporate Costs and Contingency & Reserves**

There is a pressure as a result of some PRC Pension costs being omitted from the budget. This will be more than mitigated by better than budgeted savings in financing costs.

There is a forecast saving in Audit Fees due to a reduced amount of work being carried out.

The provision for Members' Allowances remains insufficient to meet the budget requirement as well as there being no budget provision for Members' ICT allowances from when the new scheme was approved by Executive in 2009/10.

The forecast for transfer to reserves has been reduced by £400k, as a result of the 2009/10 accounts producing a higher general fund balance than expected.

14. **Executive Summary Capital Position**

The following Table B shows a summary of capital position as at December and Appendix B provides more detailed breakdown by scheme.

There are currently two proposed scheme slippages:

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

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.

Table B

Title	Net Budget to date	Net Expenditure to Date	Variance to date	Forecast Outturn variance
	£000	**£000**	**£000**	**£000**
Pre 2010/11 Starts	4,241	3,507	(734)	(275)
2010/11 Starts	2,047	776	(1,271)	(880)
Total	**6,288**	**4,283**	**(2,005)**	**(1,155)**

Revenue Virement Requests

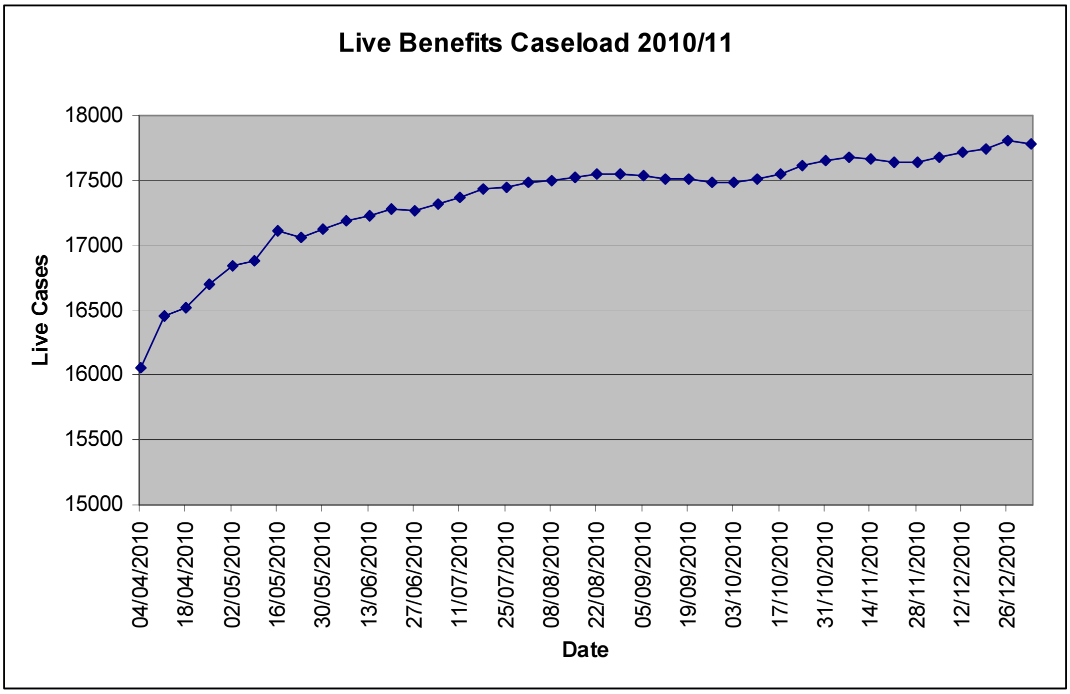
15. No virements over £100k processed in December.

Management Actions

16. No additional management actions identified.

Key Cost Drivers

17. Benefits Caseload - The number of live Benefits cases within Customer Accounts can have a large impact on the budget. The chart below as at 31st December 2010 shows a large increase in the number of cases this year. This has resulted in additional posts being needed, which are currently being filled by contractors in order to meet the demand.



Achieving Efficiencies

18. A number of efficiency savings are built into the 2010/11 base budget. There is currently a forecast shortfall in achievement of these efficiencies of £189k.
A summary is provided in Appendix C

Reserves position

19. The reserve position is provided in Appendix D.

Debt analysis

20. The debt position is provided in Appendix E.

Appendices:
Appendix A1 – Net Revenue Position Full Analysis
Appendix A2 – Movement between latest expected variance and Sept forecast variance
Appendix B – Capital Monitoring
Appendix C – Efficiencies
Appendix D – Earmarked Reserves
Appendix E – Debt Analysis

Background Papers: None

Location of papers: Technology House, Bedford.