
Meeting: *Customer & Central Services Overview & Scrutiny Meeting*
Date: *21st March 2011*
Subject: **Budget Management Report Quarter ended 31st December 2010 for the Office of the Chief Executive**
Report of: **Portfolio Holder for Policy and Performance**
Summary: The report sets out the financial position to the end of December 2010 and the latest forecast position.

Contact Officer: Chief Executive
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 is £233k (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.
3. The following Table A shows a summary position analysed by CE and Assistant Directors, with more detailed commentary in the following paragraphs. Appendix A1 provides a more detailed analysis by Head of Service and A2 the change in forecast outturn since the last report.
4. The forecast under spend position of £233k consists of a £72k under spend against the supplies and services budget, a £169k under spend against the staff cost budget and an £8k unachievable income target. The under spend against supplies and services includes a £9k forecast under spend against the Chief Executive's budget, a £32k under spend against the AD Strategy and Performance budget and a £31k under spend against the AD Communications budget. The forecast under spend against the staff cost budget is primarily due to the existence of four vacant posts including the Performance Head of Service post, the Performance Improvement Manager post and 2 further posts within the Planning and Programme Management Team. The unachievable income target relates to advertising income expected to be generated from News Central publications. The resultant over spend has however been offset by a corresponding reduction in forecast costs for the magazine.

There is currently an under spend to date, against profiled budget, of £527k. This includes a £10k under spend against the Chief Executive's budget, a £42k under spend against the Communications budget and a £475k under spend against the AD Strategy and Performance budget. A significant element of the under spend against the AD Strategy and Performance budget relates to the £800k Invest to Save (ITS) Programme. All of this has been committed to be spent this year (detail in section 16).

5. The forecast spend has reduced by £142k since the Quarter 2 budget monitoring report. This includes a £12k reduction to the Chief Executive's forecast, a £23k reduction to the AD Communication's forecast and an £106k reduction to the AD Strategy and Performance forecast. £47k of this reduction is due to a transfer in of budget to mitigate a budget shortfall for costs associated with MKSM and the Director of Public Health.
6. Table A

Assistant Director	Variance to Date	Forecast variance at year end (after use of reserves)	Management Actions	Forecast Outturn Variance
	£000	£000	£000	£000
Chief Executive	(10)	(12)	0	(12)
Communications	(42)	(24)	0	(24)
Strategy and Performance	(475)	(197)	0	(197)
TOTAL	(527)	(233)	0	(233)

7. **Chief Executive**

The Chief Executive has a year to date under spend of £10k and a forecast under spend position of £12k. This £12k forecast under spend consists of a £3k under spend against the staff cost budget and a £9k under spend against the Supplies and Services budget.

8. **AD Communications**

AD Communications has a year to date under spend of £42k and following planned contributions from reserves has a forecast under spend position of £24k. The AD Communications budgets have now been re-aligned to new Communications structure and as part of this process a net budget of £77k has been set aside for costs associated with the production of the News Central magazine. This net budget includes income of £25k which is expected to be generated from advertising revenue.

9. The £42k year to date under spend consists of a £24k budget pressure against the staff cost budget, a £7k income target not yet achieved and a £73k under spend against the Supplies and Services forecast. The income target relates to advertising revenue associated with the New Central magazines. The year to date budget pressure against the staff cost budget is due to Agency staff costs incurred in the first half of the financial year and to redundancy costs, amounting to £16k, which have been offset by a transfer from reserves. The under spend against supplies and services is due to planned expenditure for News Central Magazine and E Communications work which is due to fall in the latter part of the financial year.

10. The forecast spend has decreased by £23k since the Quarter 2 budget monitoring report. This movement incorporates a £13k budget transfer to the Director of Children's Services. The forecast movement includes a £17k reduction in staff costs, a £27k reduction in supplies and service forecast offset by an £8k unachievable income target. The reduction in forecast for staff costs is primarily due to the recent departure of two members of staff, staff absent on sick leave and changing assumption regarding the requirement for agency staff. Specific reasons for the reduction in forecast for supplies and services include the postponement of the 2010 Residents Survey and Place Survey and a reduction in the forecast for costs associated with the News Central magazine. This reduction in forecast costs for the magazine offsets the unachievable income target.
11. The full year forecast under spend position of £24k reflects a breakeven position for staff cost, a £32k forecast under spend against the supplies and services budgets and an £8k unachievable income target. Pressures identified in previous reports against the staff cost budget have been mitigated by careful management of this budget and by earlier than previously planned departures of agency staff which has successfully kept costs within budget. The £8k unachievable income target relates to advertising income expected to be generated from the News Central magazine and has been offset by a corresponding reduction in forecast costs for the magazine. The under spend against the Supplies and Service budget includes a £25k forecast under spend against the AD Communications Professional Services, Subscriptions and Printing and Stationery budgets, a £9k under spend against the E Communications and Consultancy budget due to the postponement of the 2010 Residents Survey and Place Survey 2010 offset by a £10k over spend against the Internal and External Communications budgets partly which is partly due to the inclusion of a £7k forecast for the Digital Advertising Licence.

12. **AD Strategy and Performance**

AD Strategy and Performance has a year to date under spend of £475k and following planned contributions from earmarked reserves has a forecast under spend position of £197k. The forecast spend position has increased by £2k since the previous budget monitoring report.

13. The forecast under spend position of £197k includes a £32k under spend against the supplies and services budget and a £165k under spend against the staff cost budget. The forecast under spend against the staff cost budget is due to the existence of 4 vacant posts including the Performance Head of Service post, the Performance Improvement Manager post and 2 further posts within the Planning and Programme Management Team. This forecast is based on the assumption that three posts of the four posts will remain vacant until the end of the financial year. The £32k under spend against the Supplies and Service budget consist of a £3k under spend against the AD Strategy and Performance budget, a £3k under spend against the Corporate Costs budget, an £8k under spend against the Performance and Partnership budget and a £18k under spend against the Planning and Programme Management budget.

14. The year to date under spend position of £475k includes a £293k under spend against the £800k Invest to Save (ITS) Programme which is due to a variation between profiled budget and actual expenditure to date partly due to a reduction in revenue allocation for the Web Strategy project and an £8k under spend against the Target Support Grant. In addition, across the remainder of the Assistant Directorate there is a £103k under spend against the Supplies and Services budget, a £7k income receipt in advance of requirement and a £64k under spend against the staff cost budget. Planned supplies and services expenditure during the latter part of the year includes Partnership Forums and Performance Management expenditure. The year to date position for staff costs reflects a higher level of spend in the first half of the financial year than is forecast for the second. This is due to the mid year transfer out of 11 posts and redundancy costs amounting to £28k were also incurred during the first half of the financial year, although these have been offset by a transfer from reserves.

15. The forecast over spend position has reduced by £106k since the Quarter 2 budget monitoring report. This is due to a £47k budget transfer from Customer and Shared Services to mitigate the budget shortfall for costs relating to MKSM and the Director of Public Health. Additional forecast reductions include a £25k reduction against the Partnership and Performance supplies and services budget partly due to reduced costs associated with Stakeholder, 3rd Sector and CBT Community events, and reductions to the forecast against the Printing and Stationery and Postage budgets and a £21k reduction against the Planning and Programme Management supplies and service budgets which includes forecast reductions against General Transport, Catering Supplies, Civic Hospitality, Books and Journals, Printing and Stationery, Professional Services, Consultancy and postage.

16. The full year budget of £800k for the Invest to Save Programme has been provisionally allocated to the following projects:

Passenger Transport Strategy - £238k

Web Strategy - £136k

Revenue Income Optimisation (RIO) Project - £115k

Customer & Shared Services Recovery Programme - £225k

The Invest to Save budget is currently showing an under spend of £86k.

Allocation of this remaining balance is currently under review by CMT.

17. Planned use of reserves by AD Strategy and Performance amounts to £269k. £242k of this will be funded by reserves created from the receipt of external grants, and will be used in support of the Sustainable Neighbourhood Project, the Targeted Support for Empowerment Improvement Project, and Implementation of Community Engagement Work. The remaining £27k planned use of reserves will be drawn from a corporate reserve and used to cover costs incurred as a result of redundancy.

18. Grant Funding

The £11.657m Area Based Grant (ABG), the estimated £1.328m LAA Performance Reward Grant (LAA PRG) and the £0.080m Target Support Grant are all coordinated within this Assistant Directorate by the Head of Partnerships and Performance.

19. Area Based Grant As a result of the local government budget cuts announced on 10th June 2010 the Central Bedfordshire ABG allocation has been reduced from £13.115m to £11.610m. The reductions overall include £1.172m from Department for Education revenue, £0.104m for Supporting People Administration revenue, £0.204m for Road Safety revenue and £0.025m from the Home Office. The Executive have agreed that each Director will manage their own reductions and where this may involve redundancy costs, the LAA PRG may be used to offset an element of these. There has now been a further mid year revision to the Area Based Grant resulting in increase of £47k from £11.610m to £11,657m. This additional income is primarily associated with a £32k grant for the eradication of child poverty and a £17k grant for petitions duty.

20. LAA Performance Reward Grant LAA Performance Reward grant received to date amounts to £1.330m with a further £218k expected to be received at the end of the financial year. This additional reward grant is the result of a further claim made to Communities and Local Government (CLG) in respect of the Volunteering Target. As a condition of the grant 50% of the total grant must be used for capital expenditure and 50% for revenue expenditure.

21. Target Support Grant This is a revenue grant of up to £87k from the East of England Regional Empowerment Partnership to contribute towards the cost of activities associated with supporting improvement in empowerment and participation in Central Bedfordshire. The grant is claimed quarterly in arrears.

22. Total Place A funding bid made to Improvement East now provides £200k for implementation activities for the two pilot themes (Phase 1), to further develop shared Customer Insight functionality across partners and to kick-start future Total Place opportunities. This funding needs to be spent by 31st March 2011. Monitoring information will need to be submitted to Improvement East in order to draw down the funding. In addition, £35k under spend from the pilot budget and £26k under spend from the shared Customer Insight pilot work (funded by IDeA) has been ring-fenced and carried forward. A total pot of £262k is therefore available for implementation within 2010/11.

23. Budget Transfers. During the previous quarter, the following budget transfers were processed:

- £13k from AD Communications to the Director of Children's Services. This reverses a previous transfer for a Communications graduate trainee post
- £45k from AD Strategy and Performance to the Director of Customer and Shared Services for 3 EDRMS posts
- £47k from the Director of Customer and Shared Services to AD Strategy and Performance for Corporate Subscriptions
- £65k income transfer from AD Strategy and Performance to the Director and Children's Service and the Director of Adult Services for Area Based Grant associated with costs transferred in September.

Capital Position

24. Details of the OCE Capital programme is shown at Appendix B

25. The following Table B shows a summary of capital projects including the slippage from 2009/2010 which is still subject to approval and the LAA grant funded scheme.

26. Table B

Title	Budget Expenditure £000s	Expenditure to Date £000s	Forecast Expenditure £000s	Slippage to 2011/12 £000s
LPSA and LAA Grant Payout – (Slippage of £697k from 2009/10). LSP agreement is required to use this grant.	697	0	0	697
LAA PRG Capital Reward Grant	690	0	0	690
Performance/ Complaints Management System	90	0	45	45
Web Strategy	170	0	170	0
Net	1,647	0	215	1,432

Revenue Virement Requests

27. There are currently no proposed virements over £100k.

Key Risks and Opportunities

28. There is a financial risk associated with the publication of News Central, however the expected pressure has been included in the forecast and a budget drawn from existing resources has also now been put in place.

Achieving Efficiencies

29. A number of efficiency savings are built into the 2010/11 base budget. A full analysis of efficiencies is provided at Appendix C. Currently these are all on track to be delivered which is borne out by the forecast outturn position.

Reserves position

30. Appendix D shows the full list of reserves for OCE. The total balance available as at April was £290k. £242k of these reserves is currently planned to be used in year.

Debt analysis

31. There are currently no debts greater than £10k

Appendices:

Appendix A1 – Net Revenue Position Full Analysis

Appendix A2 – Movement between latest expected variance and November forecast variance

Appendix B – Capital Monitoring

Appendix C – Efficiencies

Appendix D – Earmarked Reserves

Background Papers: None

Location of papers: Technology House, Bedford