Meeting:	**Executive**
Date:	**12 July 2011**
Subject:	**Provisional Outturn 2010/11**
Report of:	**Deputy Leader and Executive Member for Corporate Resources**
Summary:	The report provides information on the Provisional Outturn for 2010/11, subject to audit.

Advising Officer:	John Unsworth, Assistant Director Financial 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

Summary of Overview and Scrutiny Comments:

- The report will be presented to Customer and Central Services Overview and Scrutiny Committee on 25 July 2011.

RECOMMENDATION(S):

1. that the Executive

(a) note the report and that the draft outturn position has improved since December 2010. This report is consistent with the draft Annual Financial statements recently submitted to Audit Committee. They are subject to any matters arising from the formal audit;

(b) agree the proposed transfer to General Fund and Earmarked Reserves as set out in Appendix D;

(c) agree that the capital programme be revised to reflect the slippage into 2011/12, removal of closed prior year schemes and reprofile the budget to ensure a focus on prioritisation; and

(d) approve the NNDR debt to be written off as outlined in para. 7.3.

Reason for Recommendations:	To facilitate effective financial management and planning.

Executive Summary

This report sets out the provisional financial outturn the Council for 2010/11.
The Council has faced significant increases in demand for many of its critical services this year 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
- an 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.

Consequently, it is good news that the Council has a revenue outturn position that is in surplus by £0.403M; in addition it has been able to achieve the planned contribution to General Fund balances of £1.5M. The General Fund now stands at £7.1M, on target to achieve a stronger level that reflects the Council's medium term financial plan.

The balance on the Council's Earmarked reserves has also been increased during the year by £1.5M after releasing £ 0.7M of reserves that are no longer required.

The capital outturn is a spend of £2.5M after grant and after contributions. A number of schemes, estimated cost of £9.2M, have been being deferred until 2011/12.

1. INTRODUCTION AND KEY HIGHLIGHTS

1.1 This is the final budget management report to the Executive for 2010/11 before completion of the annual audit. It sets out the outturn against the approved budget.

1.2 This is a provisional outturn based on the closure of the accounts as at 31 March. Whilst the accounts remain subject to variation arising from the audit by the Audit Commission, these are not expected to give rise to any material changes. The Authority's draft Statutory Accounts were presented to the Audit Committee on 27 June 2011 and will be subject to Audit to be completed by the end of September.

1.3 This report shows an improvement in the revenue outturn position since December forecast of £2.357M to a **favourable £0.403M**. The main changes are:

- Release of earmarked reserves and provisions no longer required £0.6M (one off).
- Benefit from a review of historic purchase orders against invoices received and consequent release of surplus accruals no longer required £1.15M (mostly historic).
- An improvement in Social Care, Health and Housing including £0.4M due to a higher percentage of service breaks taken in care packages than anticipated. The actual position is suggesting a level of 10% compared to a 5% allowance in the forecast.
- Children's Services improvement, including £400k grants previously assumed to be returned to DfE, this has now been utilised.
- Reduced expenditure in Sustainable Communities.
- Increased costs in assets which include £450k removal costs previously classified as capital but more appropriately treated as revenue, plus updated accruals on corporate properties.

- Increased insurance costs following a review of potential liabilities.
- An increase to the redundancy reserve of £1.3M in recognition of the continued costs that may arise in 11-12 associated with organisational change.

The outturn on net spend for the year is £176.6M compared with the budget of £177.0M.

1.4 The capital programme outturn is £9.161M below net budget, which is an increase of £4.385M since the December forecast. After accounting for proposed slippage the programme is **£1.352M overspent**.

This is mostly attributed to legacy schemes in Sustainable Communities directorate.

There has been reduced spending since the December forecast across most areas, the main changes being:

- Children's services – slippage in the New Deal for schools programme and All Saints Academy.
- Customer and Shared Services under spend in Medium term accommodation project and increased slippage in the property block.

The outturn on net capital spend for the year was £21.506M compared to the budget of £30.717M.

2. REVENUE POSITION (Appendices A1,A2, A3,A4)

2.1 There have been a number of management actions implemented this year which have been successful in managing the increased demand pressures and in year grant cuts. Consequently the year end position has improved by some £6.2M since the forecast in 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), release of reserves and continued rigour in reviewing financial balances, such as accruals not required.

2.2 The 2010/11 revenue budget included £12.076M of efficiencies which were specifically monitored by the Efficiencies Implementation Group. £11.976M of these savings was delivered by the end of the year.

2.3 The balance on General Fund has also been increased by £1.5M in accordance with the Medium term Financial Plan, and will stand at £7.1M which is on track to be at the optimum level by 2015.

2.7 The following table shows a summary by Directorate.

2.8 Table A: Revenue position by Directorate - Paragraphs 2.9 to 2.30 provide further commentary.

Directorate	**Approved Budget £000**	**Provisional Outturn after transfers to/from reserves £000**	**Outturn Variance(-) under/ overspend £000**
SCHH	50,976	50,569	-407
CS	32,310	32,968	658
SC	47,310	45,482	-1,828
C&SS	22,447	25,166	2,719
OCE	4,469	4,236	-233
Contingency and Reserves	4,077	2,788	-1,289
Corporate Costs	15,437	15,414	-23
Total	**177,026**	**176,623**	**-403**

Social Care, Health and Housing

2.9 The full year outturn position for the Social Care, Health & Housing directorate is £0.407M under budget (0.78%) compared to the forecast over spend position of £0.204M (0.4%) at the end of quarter 3.

2.10 For **older people**, care package expenditure came in over budget by £1.230M compared to the forecast position of £1.647M for quarter 3. The main cause of the pressure was in dementia residential and home care due to the increase in volumes and the increased complexity of care required. The reduction in forecast was as a result of a higher percentage of service breaks taken in care packages than anticipated earlier in the year. A business process review is underway in this area and the enhanced use of Swift to capture the actual level of temporary breaks is part of the Recovery Plan. It is important to note that during the 2010/11 budget setting process there was no budget made available to deal with the pressure around 65+ demographics which has given rise to the reported over spend.

2.11 For **people with learning disabilities**, care package expenditure came in over budget by £0.786M (£0.713M for quarter 3). Broadly aligned to the forecast position in quarter 3, 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.

2.12 **Physical Disability** package costs presented a over spend of £0.247M (£0.354M for quarter 3), the main pressure being that of residential care although the higher percentage in service breaks also accounted for the slight over forecast position in quarter 3.

2.13 The above over spends in Adult Social Care were off set by additional customer income received in the Business & Performance service area relating to care packages, savings made from learning disability contracts within Commissioning, additional income around Gypsy and Traveller sites and the close management of the homelessness budgets with Housing.

2.14 Further budget risk for 2011/12 will exist as a result of a national Care Provider deregistering its care homes for adults with a learning disability. Budget provision has been made for this in 2011/12 and 2012/13 but the Council is still unclear on the actual impact until a full assessment of need have been carried out on these people.

2.15 Funding allocations from the Health Service should present opportunities to increase investment around the Reablement service, discharges from hospital and to prevent avoidable hospital readmissions. The Council will sign off legal agreements with the PCT identifying the areas for additional investment. Resource allocation will be based on the delivery of health related outcomes which is new territory for a local authority.

Children's Services

2.16 The full year provisional outturn position is £0.66M over budget at the end of March 2011 compared to an overspend of £1.4M at the end of December 2010.

It should be noted that the increase to the de-minimus level for accruals to £10k (£1k for schools) may have impacted the provisional year end outturn as accruals of this nature amounted to approximately £0.3M last year. In addition, after negotiations with the DFE regarding grant funding specifications some £0.4M of grant funding has been directed to expenditure previously forecast to ensure the minimum amount is to be repaid to the awarding body.

2.17 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 as highlighted in monitoring reports throughout the year. 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 position regarding our relatively good performance in managing social care pressures in comparison with our statistical neighbours continues however OFSTED recommendations from a recent inspection will increase staff costs and will require a commitment to the planned allocation of revenue funding to replace existing ICT systems. The major pressure regarding the difficulty in reconciling recoupment charges levied by Bedford Borough has been resolved following a compromise agreement at Chief Executive level. Savings in the PRU, run via a Service Level Agreement with Bedford were not met and it should be noted that this may impact the outturn further.

2.18 The overspend in Safeguarding relating to the increased numbers amount to £2.8M.

2.19 In year savings in the Music Service were partly achieved against the Music Standards Fund (MSF). 2011 will see the first phase of a four year commitment to music education funding from a national grant and will be spent against the requirements set out in the national music plan (to be published by the DFE in the near future).

2.20 Schools accounts are yet to be finalised but it is anticipated that there will be an addition to the School reserves of some £1.4M.

Sustainable Communities

2.21 The provisional outturn under spend for the directorate after the use of reserves was £1,828k. All five divisions of the directorate operated under budget after the release of reserves which covered earmarked expenditure.

2.22 Annual income was £17.3M which is £1.93M more than budget. Total expenditure over the year was £64.28M which is £1.58M higher than budget. This leaves a net under spend of £0.35M before the release of reserves.

2.23 Management actions contributed to reduce outturn expenditure by £2.06M and helped ease the corporate budget pressure. Services obtained external funds for activity that were expected to be covered by earmarked reserves. This reduced the draw down on reserves by £720k from the third to fourth quarter. The net effect of these two changes resulted in a £1,336k improvement in the under spend compared to the third quarter forecast under spend of £491k.

2.24 Overall the directorate has achieved a pleasing result in challenging budgetary conditions, and under new Central Government which changed some funding streams in year.

Customer and Shared Services

2.25 The provisional outturn following planned use of reserves stands at £2.738M overspend. This is an increase of £541k since the quarter three report.

2.26 The main areas of overspend are in assets, finance, people and systems. They can be identified as:

- Systems: staffing and contractor cost pressures, IT support and maintenance costs;
- staff cost pressures in Finance, as a result of maternity cover, restructuring delays, salary protection and the use of interims particularly in the revenues and benefits team to address backlogs and increased demands;
- in Assets income levels have proved difficult to achieve due to recessionary pressures and accommodation costs have increased where costs had previously been capitalised; and
- in People staffing pressures due to the loss of transitional funding, and has been reported since quarter 1.

2.27 The main changes since the December quarter are in Assets due to the capitalisation and increased accommodation costs and in Finance due to a repayment of a subsidy claim for 2008/09. The release of the single status provision, which is no longer needed, has offset these pressures to some degree.

Office of the Chief Executive

2.28 The provisional outturn position comprises of under spends of £200k against operational budgets which incorporates proposed transfers of £48k from the corporate redundancy reserve and £33k against non-operational budgets (e.g. funds held by OCE, and passported to partners or other parts of CBC), which incorporates net contributions of £506k to earmarked reserves. The total outturn position is £233k (4.9%) under budget.

Corporate Costs

2.29 The under spend on corporate costs is mainly due to the release of the £1.1M historic supplier accruals that are no longer required, following the review of outstanding purchase orders and invoices.

Contingency and Reserves

2.30 Contingency and reserves are £1.289M under spent. Executive previously agreed to release £1.1M to offset Appendix E (relocation) costs incurred in the Directorates (£0.7M) and the reduced budgeted increase in the General Fund balance (£0.4M). The residual balance reflects the remaining contingency that was not called upon in year.

£1.5M has been added to the General Fund, as planned, within these results.

3.0 EARMARKED RESERVES (Appendix A1,A4, D)

3.1 In delivering this provisional outturn position the use of Earmarked reserves has been closely monitored and reviewed throughout the year. The proposed closing balance for the Council's Earmarked reserves is £1.5M higher than at the beginning of the year, before HRA and schools balances which are not available to support the General Fund.

Earmarked reserves generally comprise:

- legal/regulatory balances required to be separate, e.g. HRA, schools balances;
- grants received that are ring fenced and expected to be spent in 11-12 or later;
- amounts required to be separate as they relate to third party commitments.

The Executive are asked to approve the retention of reserves totalling £31.054M.

This includes £19.0m in respect of HRA and schools balances. Of the remaining £12.1m, amounts set aside for Redundancy, £2.1m and insurance claims £3.1m are the largest items.

3.2 Redundancy costs have been a significant issue for the Council this year and along with the original reserve of £1.6M close management has resulted in additional resources being identified where possible. This has included the re-designation of certain earmarked reserves, agreement with partners to use Performance Reward Grant and the successful application of a capitalisation directive. This has resulted in £4.031M funds being available to support the costs of redundancy. £3.214M has been utilised. An additional transfer of £1.3M has also been made at the end of the year which leaves £2.117M available to be carried into next year to offset future expected redundancy costs.

3.3 Table B: Earmarked Reserves

Balances available to the Council General Fund	**£000**	**£000**
Insurance	3,059	
Redundancy	2.117	
Services based	5,852	
		11,028
Balances not available to the Council General Fund		
HRA	3,989	
Schools	14,975	
School contingency	1,062	
		20,026
Total		**31,054**

4. REVENUE VIREMENTS

4.1 There are no virements requiring Executive approval.

5. CAPITAL POSITION (APPENDIX B)

5.1 The capital programme outturn net spend is £9.161M below budget which after accounting for proposed slippage into 2001/12 represents an overspend of £1.35M. £3.3M slippage has already been approved as per the 2011/12 budget report. The remaining slippage needs to be reviewed in light of the affordability of next year's programme and in the context of this year's overspend. It is therefore recommended the Executive note the proposed slippage and agree to a review of the capital programme early in the new financial year.

5.2 A summary position by Directorate is shown in table B below.

5.3 Table C: Capital Summary

	Revised Full Year Budget	Actual net Spend	Variance	Under (-) /Over Spend	Net Slippage to 2011/12
Directorate	**£000**	**£000**	**£000**	**£000**	**£000**
Social Care, Health and Housing	2,562	1,842	-720	-4	716
Children's services	3,492	1,433	-2,059	-264	1,795
Sustainable Communities	10,436	7,271	-3,165	2,260	5,425
Customer and Shared Services	7,793	4,784	-3,009	-637	2,372
Office of the Chief Executive	260	55	-205	0	205
Sub Total	**24,543**	**15,385**	**-9,158**	**1,355**	**10,513**
HRA	6,174	6,171	-3	-3	0
Total	**30,717**	**21,556**	**-9,161**	**1,352**	**10,513**

Social Care, Health and Landlord Services

5.4 The provisional outturn position of £0.720M is as a result of slippage on the Timberlands project (£0.103M), Empty Homes (£.0160M) and Renewal Assistance (£0.191M) into 2011/12 and specific capital grants that are proposed to be slipped as detailed business cases have not yet been drawn up. This has been included in the Capital Programme budget for 2011/12.

Children's Services

5.5 The variance on projected outturn of £2.06M derives from underspends of £264k and slippage of projects of £1.796M.

The projected underspends are on the Holmemead Middle School project £115k and Roecroft Lower £178k. The Holmemead project is now complete and Roecroft Lower School will now be funded by the 2011/2012 Basic Need grant releasing the Councils net contribution.

The projected slippage of £1.79M is principally on:

- New Deal for Schools £811k a standards funded project with a 31 March 2011 deadline. A small number of larger projects were delayed but are now underway.

- All Saints Academy project delay is due to the review by the Department of Education on Academy and BSF capital schemes. This project is now underway.

- Schools Access Initiative which is a programme to enable the Council to meet its statutory obligations to enable local pupils to attend (local) schools, where there were delays to some of the large projects.

- Asbestos and Health and Safety projects are now underway for asbestos surveys and remedial works.

- Arnold Middle School where late contract commitments have delayed this project but the project is now underway.

<u>Sustainable Communities</u>

5.6 The approved capital programme budget for 2010/11 was a net £10,436k, and actual net spend was £7,271k.

An analysis of the schemes within the programme showed:

- of the completed projects, an over spend of £2,260k was recorded. Three legacy schemes (Sandringham Drive, Bedford Square, Community Enterprises) explain £2,073k of the variance as income was received in 2009/10 or not at all. Further details are provided in paragraph 4.12.

- of works in progress, expenditure of £12,166k and income of £6,741k are estimated as required slippage. The net slippage to 2011/12 is £5,425k.

A key factor that led to the variance in 2010/11 was the delay in spend as a comprehensive revision of the capital programme was submitted to Executive in November 2010.

5.7 A selective list of schemes showing the larger variances and slippages is shown below:

Scheme	Over / (Under) Spend	Slippage 2011/12
Sandringham Drive Housing Development	£900k	£0k
Bedford Square Renaissance Houghton Regis	£733k	£0k
Community Enterprises Regeneration schemes	£440k	£0k
Fleet Replacement Programme	(£435)k	£435k
Strategic Infrastructure Luton Northern Bypass	(£452)k	£452k
Leighton Buzzard Western Bypass Residual Costs	(£535)k	£535k
Waste Infrastructure Grant	(£607)k	£607k
Outdoor Access and Greenspace schemes	(£734)k	£734k
Affordable Housing Schemes	(£1,038)k	£1,038k
Creasey Park Community Football Centre	(£1,103)k	£1,103k
Development Proposals Flitwick Town Centre	(£3,411)k	£3,411k
Total major movements	**(£6,242)k**	**£8,315k**

The year end has allowed tidying up of legacy schemes, some of which are covered in the notes below:

- Sandringham Drive is a legacy South Bedfordshire District Council scheme where funds from East of England Regional Assembly were passported to Aldwyck Housing Association. The scheme should not have been included in the 2010/11 programme as the £900k income was received in 2009/10.
- Bedford Square Renaissance is a legacy scheme that expected to receive income from the sale of the old Fire Station in Dunstable. This sale has been deferred.
- Community Enterprises were small grant scheme promoting employment and small businesses. The ad hoc grants from a variety of sources ceased in 2009/10.
- Fleet replacement was deferred pending review of the overall programme.
- Waste Infrastructure received £172k from Defra in 2010/11 adding to funds available for improvement projects. Expenditure has been paused pending the BEaR Project determining the best way forward for a solution for organic waste.
- Affordable Housing had two developments completed this year with one development (Old Warden) slipping into next year. The variance is due to CBC successfully bidding for Homes & Community Agency funds which frees up internal resources for reallocation into the whole capital programme.
- Creasey Park Community Football Centre is five weeks behind schedule with retention payments falling into 2011/12.
- Development Proposals Flitwick Town Centre involved the purchase of land. Contracts have been exchanged and the final completion requiring payment of about £3.2M is expected in early 2011/12.

All other schemes listed above are works in progress requiring balances to be carried over into 2011/12.

Customer and Shared Services

5.8 The variance of £3,009k under program is identified £637k underspend and £2.372M slippage. The under spend is mainly due to:

- £356k on the Medium Term Accommodation Programme (Your Space;
- £195k for HAZ Manor Demolition; and
- £566k for the Relocation of data Centre.

ICT spent £601k on commencing the CBC Network Project which was agreed to be brought forward from the 2011/12 capital programme.

5.9 The proposed scheme slippages are:

- Enterprise Content Management (KEY ECM) £59k
- Optical Character Recognition £84k
- Legal Services Case Management System £11k
- Corporate Property Block Budget £1,750k
- T Gov Partnership & Partnership of Mid Beds (CRM) £279k
- Additional Construction Works – Technology House £139k
- Points of Presence £50K

Office of the Chief Executive

5.10 There are three schemes within the OCE:

- LPSA and LAA payout of reward grant which will all be slipped to 2010/11, although this is a net nil cost to the Council;
- performance management system which is also proposed to be slipped to 20111/12, £90k; and
- web strategy which has commenced but remaining budget will need to be slipped into 2011/12 for completion of the project, £115k.

6. KEY COST DRIVERS (Appendix C)

6.1 These drivers identify some of the budgets that have a significant impact on the outturn and variances. They provide non financial data to support the evidence for variations.

6.2 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.

6.3 For Sustainable Communities planning fee income this year has been below 2009 levels, and below budget leading to budget pressures. Whilst the amount of refuse sent to landfill increased by 850 tonnes compared to last year, this is less than the targeted limit and within the bounds of normal fluctuation. The authority continues to perform well in terms of percentage of waste sent for recycling and composting.

6.4. In Customer and Shared Services increased case loads for Benefits claimants was circa 12% which is attributable to the current economic climate.

7. DEBTORS (Appendix E)

7.1 Debt outstanding as at the end of March was £12.458M.

7.2 The age profile of the debt shows that 19% of the total debt is over 3 months old which is an improvement on the 30% in December. The overdue debts are about £4.0M lower than December in total indicating our debt collection performance is improving.

7.3 There are two large debts in respect of NNDR that require Executive approval to be written off, in accordance with the constitution. They are:

- £491,776, which relates to a warehouse property for the period 1 April 2008 to 29 October 2009. The company went into Administration on 29.10.09. The latest report from the Administrators advises us that the dividend to unsecured creditors will be less than 1p in the pound. Any dividend that we do receive can be written back against the debt.

- £77,346 which relates to a club premises for the period 7 October 2008 to 31 May 2010. The company went into liquidation on 8 June 2010 and we have been advised that there is no prospect of any dividend.

This write off will not impact the general fund but will reduce the NNDR pool funding returned to CLG.

Appendices:
Appendix A1–Revenue Summary
Appendix A2 – Change in forecast variance since Quarter 3
Appendix A3 – Achievement of Efficiencies
Appendix A4 – Redundancy Position
Appendix B – Capital Summary
Appendix C – Key Cost Drivers
Appendix D – Earmarked Reserves
Appendix E – Debtors

Background Papers: None

Location of papers: Technology House, Bedford