Meeting:	**Executive**
Date:	**6 December 2011**
Subject:	**Revenue Budget – Quarter 2 Monitor**
Report of:	**Cllr Maurice Jones, Executive Member for Corporate Resources**
Summary:	The report provides information on the Quarter 2 Revenue Budget Management Position.

Advising Officer:	John Unsworth, Assistant Chief Executive Resources
Contact Officer:	Charles Warboys, Chief Finance Officer
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 and supports all of CBC's priorities. The Priorities are:

- Supporting and caring for an ageing population.
- Educating, protecting and providing opportunities for children and young people.
- Managing growth effectively.
- Creating safer communities.
- Promoting healthier lifestyles.

Financial:

1. The Financial implications are set out in the report.

Legal:

2. None.

Risk Management:

3. None.

Staffing (including Trades Unions):

4. Not Applicable.

Equalities/Human Rights:

5. In developing the budget the Council must ensure that decisions were made in such a way as to minimise unfairness, and that there was not a disproportionately negative effect on people from different ethnic groups, disabled people, and men and women.

The statutory equality duties must be exercised in substance, with rigour and an open mind. To ensure that they have complied with the equality duties, and to ensure that any decision made does not unfairly discriminate, public authorities should:

- carry out robust equality impact assessments and consult and involve relevant stakeholders as part of the decision-making process;
- consider all relevant, available information in order to anticipate any likely negative impact and to seek to avoid that negative impact by taking alternative courses of action wherever possible;
- keep an adequate record showing that they had actually considered their equality duties and pondered relevant questions; and
- be rigorous in both inquiring and reporting to Members the outcome of the assessment and the legal duties. When decisions are made, decision makers must have the relevant data, including the results of equality impact assessment, and of consultation and involvement, to ensure they reach an informed decision.

Any changes to the Council's Budget as a result of this budget monitoring report will result in further equality impact assessments being undertaken as necessary.

Community Safety:

6. Not Applicable.

Sustainability:

7. Not Applicable.

Procurement:

8. Not Applicable.

Overview and Scrutiny:

9. This matter will be considered by the Customer and Central ServicesOverview and Scrutiny Committee in November.

RECOMMENDATION:

The Executive is asked to:

1. note that the Revenue Forecast position is an over spend of £0.086M (>0.05% of net budget) and therefore requests officers to continue with actions to ensure a balanced outturn at year end.

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

Executive Summary

10. The report sets out the financial position for 2011/12 based on the end of September. It sets out spend to date against the profiled budgets and the forecast financial outturn. Explanations for the variances are set out below in section 12. This report enables the Executive to consider the overall financial position of the Council and agree any further actions to deliver a balanced financial year end.

KEY HIGHLIGHTS (Appendices A1,A2,A3)

11. **In Summary**

i) A forecast outturn pressure of £0.086M against budget (<0.05% of net spend) is identified. This is an improvement of £0.5M since the last quarter report.

ii) The Year to Date (YTD) under spend is £2.4M against the profile budget. However, this should not be seen as indicative of the full year position due to seasonal spend and timing of grants received.

iii) The emerging risks in Children's Services (child protection) and cross cutting efficiencies continue and are being monitored closely and actively managed.

iv) Non current debt is £8.8M which is a reduction of £5.8M since the last quarter report.

12. **Directorate forecast outturn variances**

The main variances are:

i) £0.4M over spend in Adult Social Care due to increased care package costs in the Physical Disabilities services.

ii) £0.2M under spend in Children's Services where increasing child protection costs pressures are being actively managed and the directorate has benefited from the one off contribution from the Dedicated Schools Grant (£520K) for Out of County Placements and Academy Recoupment, as agreed by the Schools Forum.

iii) £0.8M under spend in Sustainable Communities due to additional one-off planning income and a change in the Core Strategy which has resulted in the release of an earmarked reserve and reduced professional fees.

iv) £0.3M over spend in Corporate Services where pressures in Assets and Revenues and Benefits as reported previously have been offset in part by savings from the recent Corporate Services restructure.

v) Estimated calls on contingency have been increased to reflect the overall net increase in risks and upsides not included in the detail forecasts. This includes eventualities such as shortfalls on the collection fund and loss of interest due to the recent revised credit rating of the banks.

13. **Year to Date position**

The YTD spend for the first half year at £80.6M is below, on a pro rata basis, the year end forecast of £181.4M (after the use of reserves). The key areas are Children's Services, Sustainable Communities and Corporate Services. The main reasons are the following:

i) Children's Services £0.8M below budget profile spend largely due to timing differences between receipt and spending profiles of grants received. This is being closely monitored to ensure the necessary grant spend will be spent by year end and any surplus will be returned to the General Fund.

ii) Sustainable Communities currently £2.1M below budget to date, largely due to additional one-off planning income received.

iii) Corporate costs are above profile mainly due to the Terms and Conditions efficiency which will take effect from October. (The budget is profiled evenly over 12 months.)

iv) The HRA is £0.4M above budget profile to date mainly due to stock condition survey payment which has all occurred in the first 5 months of the year.

DIRECTORATE COMMENTARY

14. Social Care Health and Housing

The **General Fund** position for the directorate indicates a projected over spend of £0.379M or 0.67% (£0.096M for 1st Quarter).

The Adult Social Care service is showing an over spend of £1.114M (£0.663M for June). The main pressure within this area is from Older People package costs which are showing an over spend of £1.128M. People are living longer and the costs of dementia are on the increase. In addition assumptions made in the budget setting process included an increase in demography of 4% but indications to date are suggesting there is already an increase in numbers of older people by 5%. This is a combination of increasing demography and self funders returning to local authority support.

15. To quantify the impact of self funders, 18 have returned to Council support during the first two quarters of 2011/12 in residential care. Extrapolating these numbers to be 36 for a full year, this could amount to an additional £0.700M that the Council would have to fund. Given the current financial climate this trend is unlikely to diminish and will continue to put pressure on the Council's budget.

16 Challenging efficiency targets were set against the Older People service area and whilst they are not being fully achieved good progress is being made. A positive example of this is the reablement service which to date has achieved reductions in care hours during the period April to September of 1,811 which is equivalent to a full year saving of £0.340M. It is evident that whilst this activity is reducing costs to the Council it is not able to completely mitigate the costs of the above.

17. It is also worth reporting that there has been a 50% increase over the last quarter in the number of adult safeguarding alerts that have been made which has led to a 20% increase in those requiring investigation. This is beginning to impact on the resources within the social work teams and close monitoring is being undertaken to evaluate the impact of such increases and if they continue into the future.

18. Learning Disabilities package costs are showing an under spend of £0.303M which is partially offsetting a pressure of £0.436M in cross boundary charging that was identified in 2010/11. This is a positive position for this financial year however early indications are that the average care package cost of transitions for next year, 2012/13, is increasing from £0.030M to £0.042M which will lead to increased pressure in the budget and Medium Term Financial Plan.

    To offset the above the Commissioning service under spend of £0.332M (£0.511M for 1st Quarter) relates to the efficiencies made against the Learning Disability and Public Health Grant and mental health contracts.

19. The 2011/12 budget for the **Housing Revenue Account** (HRA) requires a contribution from the HRA reserve of £0.195M. The September financial position indicates that a contribution from reserves of £0.295M is required which is £0.100M higher than anticipated when setting the budget. The forecast overspend is due to delays in outsourcing of the community alarm service.

20. Children's Services

    Children's Services annual expenditure budget is £70.4M and income budget, including transport, is £35.2M which leaves a net expenditure budget of £35.2M. The full year projected outturn position for 2011/12 quarter two is £0.167M under spend, this is compared to the quarter one forecast of a £0.087 overspend, a favourable movement of £0.254M.

21. The cumulative budget for quarter two is £17.038M compared to actual spend of £16.446M, below budget by £0.792M. The spend to date variance is a combination of the impact of spend against grants, such as the Early Intervention Grant of £8.9M where expenditure is periodic, and Transport.

22. Within Children's Services Operations, the overall forecast variance is an over spend of £382k (£93k under spend quarter one). This pressure and variance to quarter one is mainly due to additional expensive specialist children placements, an increase in Leaving Care Accommodation as a result of the Southwark judgement and the cost of agency workers covering qualified posts. The development of qualified social workers to fill vacancies is an ongoing key activity.

23. Within Learning, Commissioning and Partnerships, the overall forecast variance is an under spend of £544k (£179K overspend quarter one). The improvement and variance to quarter one is mainly due to the contribution from the Dedicated Schools Grant (£520k) for Out of County Placements and Academy Recoupment, as agreed by the Schools Forum.

24. As in previous months there has been an increase in needs led budgets within Child Protection and Special Educational needs.

Resources continue to be deployed to address the additional impact of recent OFSTED inspection recommendations on child protection which increase the need for qualified social workers and the preparations to respond to Professor Munro's report on child protection.

25. The number of schools converting to Academy status continues to impact on budgets and budget profiling and work is ongoing to prepare for the required savings on the CCMS (previously known as ICS project.)

26 Sustainable Communities

Sustainable Communities' overall financial position is forecast at £802k under budget. This result is dependent on efficiency savings of £4,060k being delivered during the year. The Directorate is on track to meet its annual budgetary targets.

27. Controllable costs, especially in the staffing area, continue to be dampened down. However, the effect has been largely negated by contract price inflation and lower income receipts. Two examples illustrate the challenges facing the Directorate:

- contracts based on Baxter Indices face increases in the range of 5.0% to 5.5% compared to the budgetary assumption of 2.0%; and
- building application income is forecast to be £120k (14%) under budget.

28. Besides the external market influences mentioned above, the Directorate is also susceptible to cost pressures arising from adverse weather conditions. The following budget lines are affected in summer and winter: waste collection, green waste, grounds maintenance, and road gritting and snow clearance. The risk associated with budget performance will be monitored closely so that the Directorate positions itself to meet its forecast result.

29. Corporate Services

The full year forecast position identifies pressures of £271k.

The key reasons for the forecast variance are due to:

- Chief Executive – £287k forecast under spend due to savings from the recent organisational restructure.
- People & Organisation - £241k forecast under spend forecast staff savings in Committee Services and the release of Elections reserve.
- Resources - £798k forecast over spend due to costs of interim staff, increased costs associated with an increase in the number of benefit claimants, and rent income achievement on various properties as well as budget shortfalls for NNDR costs.

30. Contingency and Reserves

Estimated calls on the contingency have been increased in recognition of the increased emerging net risks that are not included in the detail forecasts.

31. Corporate Costs

Pressures around non achievement of some cross cutting efficiencies are being mostly offset by a forecast reduction in debt management costs and premature retirement costs.

RESERVES POSITION (Appendix B)

32. Earmarked Reserves

The overall forecast of earmarked reserves, excluding HRA and Schools stands at £9.723M. Of this £2.486M has forecast to be used within the service spend this year although it is expected that the closing balance of the redundancy reserve will be lower than currently forecast. The full extent to which the redundancy reserve will be used is yet to be fully identified. Approval has been given via a capitalisation directive that £1.992M can be capitalised.

33. General Reserves

The opening balance on General Fund is £7.089m. It is planned to transfer an additional £1.4M this year. Assuming a balanced budget at year end this will result in a closing balance of £8.489M. This represents no change since the position reported last quarter.

Debtors (Appendix C)

34. General sales debtors for September total £10.936M, a reduction of £6.374M since quarter 1. Of this debt outstanding and non current was £8.775M. (£8.318M as at June). The largest items of note within this are:

i) Children's Services – £1.894M of the debt relates to Bedford Borough. One item for inter-authority recoupment for £1.152M relates to services delivered in 2010/11. This has been followed up by the service and is expected to be cleared during the next month.

ii) Sustainable Communities - 62% of the debt relates to Section106, Section 38 and Section 278 (highways works).

iii) Corporate Services – Resources. £0.784M is due to school buy back services.

iv) NHS Bedfordshire – relates to three items; £0.614M Equipment Pooled Budget Contribution April-September 2011 (raised in September 2011), £0.563M Winter Pressures Funding 2010/11(raised in March 2011) and £0.238M Reablement Funding 2010/11 (raised in March 2011).

Appendices:
Appendix A1 – Council Revenue Summary
Appendix A2 – Directorate Summary
Appendix A3 – Change since last quarter
Appendix A4 – Subjective Analysis
Appendix A5 – Graphical Analysis
Appendix B – Earmarked Reserves
Appendix C – Debtors

Background Papers: (open to public inspection)
None