
Meeting: Executive
Date: 27 March 2012
Subject: Revenue Budget – Quarter 3 Monitor
Report of: Cllr Maurice Jones, Deputy Leader and Executive Member for Corporate Resources
Summary: The report provides information on the Quarter 3 Revenue Budget Management Position

Advising Officer: Charles Warboys , Chief Finance Officer
Contact Officer: Nyree Hone , Head of Financial Management
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. The Council must ensure that decisions are made in such a way as to minimise unfairness, and that there is 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 the Council have complied with the equality duties, and that any decision made does not unfairly discriminate, they 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.
- 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 monitor 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 Services Overview and Scrutiny Committee in April.

RECOMMENDATION(S):

The Executive is asked to:

1. **Note the Revenue Forecast position is an under spend of £0.051M (<0.03% of net budget).**

Reason for Recommendation(s): 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 December. 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 Executive to consider the overall financial position of the Council and agree any further actions required before the financial year end.

KEY HIGHLIGHTS (Appendices A1,A2,A3)

11. In Summary

- i) A forecast outturn under spend of £0.051M against budget (<0.03% of net spend) is identified. This is an improvement of £0.1M since the last quarter report.
- ii) The Year to Date (YTD) spend is £5.9M below 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 risks associated with the cross cutting efficiencies have been met, in some cases through one off mitigating measures. Full year budget impacts have been fed through to the 2012/13 budget and MTFP.
- iv) Non current debt is £8.6M which is a reduction of £0.2M since the last quarter report.

12. Directorate forecast outturn variances

The main variances are:

- i) £0.3M under spend in Adult Social Care as efficiencies from grants contracts and increased client income have offset increased care package costs in the Older People and Learning Disabilities services;
- ii) £1.4M under spend in Children's Services largely due to one off contributions of £975k from the School Forum. This contribution has only been possible in 2011/12 due to unspent centrally held DSG set aside for School Redundancies and the Local Authority Central Spend Equivalent Grant (LACSEG.)
- iii) A £0.1M under spend in Corporate Services now under budget for the first time this year, where pressures in Assets and Revenues and Benefits as reported previously have been offset in part by savings from the recent Corporate Services restructure and better than expected Land Charges income.
- iv) Estimated calls on contingency have been increased to reflect the overall level of risks and upsides not included in the detail forecasts. This includes eventualities such as shortfalls on the collection fund and bad debt write offs.

13. **Year to Date position**

The YTD spend for the first half year at £121.9M is below, on a pro rata basis, the year end forecast of £181.2M (after the use of reserves). The main reasons are the following:

- i) Social Care Health and Housing £1.5M below budget profile mainly due to the profiling of transitions.
- ii) Children's Services £2.9M below budget profile spend largely due to school support services spend following the profile of the academic year. (5/12 April to August, 7/12 from September) and transport spend lagging behind budget.
- iii) Sustainable Communities currently £0.8M below budget to date due to S38 income recognised in the actual YTD. This is matched to schemes as spend occurs – and carried forward into the new year if not yet utilised.
- iv) Corporate Services is £1.0M below profile mainly due to timing of grant income and increased land charges income.
- v) Contingency is £0.5M below profile due to receipt of New Homes Bonus and ACL Grant.
- vi) Corporate Costs is £0.9M above profile due to premature retirement costs being paid on account (budget was all in March).

DIRECTORATE COMMENTARY

14. **Social Care Health and Housing**

The **General Fund** position for the directorate indicates a projected under spend of £0.255m or 0.46% (£0.379M over spend for September quarter.)

The **Adult Social Care** service is showing an over spend of £1.005m (£1.114M for September). The main pressure within this area is from Older People package costs which are showing an over spend of £0.487m. 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 of 5%. This is a combination of increasing demography and self funders requiring local authority support.

15. To illustrate the impact of self funders, 25 have required council support in residential care during the first three quarters of 2011/12. Extrapolating these numbers to be 33 for a full year, this could amount to an additional £0.549m 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 has achieved reductions in care hours during the period April to December of 2,540 which is equivalent to a saving of £0.304m. 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 34% increase since March 2011 in the number of adult safeguarding investigations, However the impact of these on resources within the social work teams is being contained.
18. Learning Disabilities package costs are showing an over spend of £0.272m plus an over spend of £0.436m in cross boundary charging that was identified in 2010/11. The £0.272m over spend includes new placements for which the local authority has become responsible under Ordinary Residence rules of £0.216m – these costs are being met from an earmarked reserve in the current financial year but are included as a pressure in the budget and the Medium Term Financial Plan. 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 could lead to increased pressure in the budget and Medium Term Financial Plan.
19. To offset the above over spends the **Commissioning** service under spend of £0.712m (£0.322m for September) relates to the efficiencies made against the Learning Disability & Public Health Reform Grant £0.580m, mental health contracts £425k together with the application of NHS Grant of £0.368m. In additional customer income is forecast to over achieve by £0.626m within the **Business & Performance** service area.
20. The 2011/12 budget for the **Housing Revenue Account** (HRA) required a contribution from the HRA reserve of £0.195m. The December financial position indicates that a contribution from reserves of £0.195m is required (£0.295m September) which is in line with that anticipated when setting the budget.

21. **Children's Services**

Children's Services annual expenditure budget is £68.9M and income budget, including transport, is £33.4M which leaves a net expenditure budget of £35.5M. The full year projected outturn position for quarter 3 2011/12 is £1.362M under spend. Quarter 2 reported an underspend of £0.167M, a favourable movement of £1.2M. It should be noted that one off contributions of £975k from the School Forum has contributed to Children's Services budgets. This contribution has only been possible in 2011/12 due to unspent centrally held DSG set aside for School Redundancies and the Local Authority Central Spend Equivalent Grant (LACSEG), that in future years will be paid directly to Schools. The under spend had this contribution not been available would have been £387k.

22. The cumulative budget for December is £26.174M compared to actual spend of £23.229M, below budget by £2.945M. The spend to date variance relates to the profile of education spend through the year, to transport and to the year end forecast under spend.
23. Within Children's Services Operations, the overall forecast variance is an over spend of £575k (£382k quarter two). This pressure is mainly due to additional expensive specialist children placements, increase in leaving care accommodation and the cost of agency workers covering qualified posts. The recruitment of qualified social workers to fill existing and new vacancies is an ongoing key activity. This is due to increasing numbers of child cases and the reference point of an appropriately safe case load for each social worker. This has been noted in risk assessments in previous months.

24. Within Learning, Commissioning and Partnerships (LC & P), the overall forecast variance is an under spend of £1.938M (£549k Quarter 2). The improvement and variance to Quarter 2 (£1.389M) is mainly due to School Forum's agreement to contribute to Special Educational Needs (SEN) Transport and a review of transport forecasts in line with schedules provided by Sustainable Communities. In addition posts are being held to allow for early implementation of efficiencies planned for 2012/13.
25. As in previous months there has been an increase in needs led budgets within Child Protection and Looked After Children.

Resources continue to be deployed to address the additional impact of recent OFSTED inspection recommendations about child protection, which increases the need for qualified social workers not only for front line work but to also enhance regulatory quality assurance and to secure a safe level of supervision at team manager level.

26. 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 Children's Case Management System (previously known as ICS project).

27 **Sustainable Communities**

Sustainable Communities' overall financial position is forecast at £126k under budget after the use of earmarked reserves; £211k to meet grant funded projects and corporate redundancy reserve £309k for payments to date.

28. The Directorate is on track to meet its annual savings target of £4,060k. At the end of December, the savings delivered totalled £3,044k which was £514k ahead of profile.

Controllable costs, especially in the staffing area, continue to be dampened down. Staff posts held vacant pending the completion of restructures, and staff opting out of superannuation schemes has resulted in a forecast saving of £1,148k. The salary savings have been offset by forecast over spends totalling £1,377k across the four budget heads of Premises, Transport, Supplies & Services and Third Party Payments.

29. The December quarterly forecast for the Directorate has moved adversely by £676k compared to the September quarterly report. Supplies & Services forecasts include: provision of £250k relating to planning enforcement, projected higher professional charges of £83k for Development Management, provision of £117k for advisory fees supporting the BEaR Project which is running ahead of schedule, and higher electricity prices for street lighting £52k.
30. Grant income is higher than budgeted by £313k. Most of the increase is due to the Safer Communities grant of £232k which has been allocated to the Integrated Offender management Scheme.
31. Fee income was budgeted at £9,744k and at the end of December the forecast was set at £9,264k which is a shortfall of £480k. This income shortfall is mainly related to: flat demand on car parks £230k, lower Building control applications £165k, and a number of other service related incomes £85k. The services are reducing operating costs to work within budget.

32. The effect of economic conditions is evident on the Directorate especially in the demand led income arena. The risks associated with budget performance continue to be monitored closely so that the Directorate positions itself to meet its forecast result.

33. **Corporate Services**

The full year forecast position identifies an underspend of £64k.

The key reasons for the forecast variance are due to:

- Chief Executive (-£282k) – forecast under spend due to savings from the organisational restructure.
- ACE People & Organisation (-£344k) – forecast under spend within staff costs in Committee Services, the release of the Elections reserve and higher than expected Local Land Charges income.
- ACE Resources (+£562k) – forecast overspend due to the costs of interim staff, increased benefit claimants and the outcome of benefits audits, and non achievement of some rental income targets on various properties as well as budget shortfalls for NNDR costs

34. **Contingency and Reserves**

Estimated calls on the contingency have been increased in recognition of the net risks not included in the detail forecasts. These risks are reviewed regularly and updated as more certainty is achieved over the various issues raised.

35. **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)

36. **Earmarked Reserves**

The overall forecast of earmarked reserves, Excluding HRA and Schools stands at £9.221M. Of this £2.956M 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.

37. **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 since quarter 1.

Debtors (Appendix C)

38. General CBC debtors for December total £9.796M, a reduction of £1.14M since quarter 2. Of this debt outstanding £4.597M is over 60 days all of which is actively being managed.

£1.7M is actively being chased; £1.3M identified as disputed and work to resolve is underway. £244k has instalment agreements in place and £255k is being dealt with through legal channels. A further £1.0M is in respect of charges against houses which will be repaid once the houses are sold.

39. The largest items of note within the total debt are:

- i) SCHH - £0.175M with Bedford Borough for Community Equipment store and Contribution to the Carers Contract.
- ii) HRA Total current and former tenant arrears were £0.905M at the end of September compared to £0.981M at the end of December. Current arrears are £0.623M or 2.50% of the annual rent debit of £24.97M (£0.661M or 2.65% at the end of September).
- iii) Children's Services – £0.297M of the debt relates to Bedford Borough. £0.214M is for schools in respect of PFI charges.
- iv) Sustainable Communities - Sections 38, 106 and 278 legal agreements account for 74% of the debt. This is in respect of work undertaken on the highways that are recoverable. 50% of the debt is less than 3 months old.
- v) Corporate Services – Resources. £0.336M was due to school buy back services (mainly payroll), £96k has been paid as at the end of January
- vi) NHS Bedfordshire – relates to a number of items including £170k for free nursery care, £538k Health Funding Grant and £0.238M Reablement Funding from 2010/11 (raised in March 2011). Officer discussions have occurred and progress is being made in reaching settlement.

Officers at Bedford Borough Council and Central Bedfordshire are actively working together to resolve old outstanding debt.

40. Debt Write off for Quarter 3 is detailed in the following table:

Value	No of Debts	Total Write Off
£0 - £5,000	90	£ 53,520.19
£5,000 -£10,000	1	£ 5,260.98
£10,000 - £50,000	4	£ 135,831.83
>£50,000	1	£ 83,129.28
Total	96	£277,742.28

41. This takes the cumulative write off to £354,108.06 (203 debts).

Appendices:

- Appendix A1 – Council Revenue Summary
- Appendix A2 – Directorate Summary
- Appendix A3 – Change since last quarter
- Appendix A4 – Subjective Analysis
- Appendix A5 – Graphical Analysis

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Appendix B – Earmarked Reserves

Appendix C – Debtors

Background Papers: (open to public inspection)

None