
Meeting: Corporate Resources Overview and Scrutiny Committee
Date: 31 July 2012
Subject: 11/12 Provisional Outturn Revenue Budget Monitoring Report
Report of: Cllr M Jones, Executive Member for Corporate Resources
Summary: The report sets out the financial position to the end of March 2012.

Advising Officer: Charles Warboys, Chief Finance Officer
Contact Officer: Denis Galvin, Head of Financial Performance
Public/Exempt: Public
Wards Affected: All
Function of: Council

CORPORATE IMPLICATIONS

Council Priorities:

1. 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:

2. The financial implications are set out in the report.

Legal:

3. There are no direct legal implications arising from the report.

Risk Management:

4. Sound financial management and budget monitoring mitigates adverse financial risks.

Staffing (including Trades Unions):

5. Not Applicable.

Equalities/Human Rights:

6. Public Authorities must ensure that decisions are made in a way which minimises unfairness and without a disproportionately negative effect on people from different ethnic groups, disabled people, women and men. It is important that Councillors are aware of this duty before they take a decision
7. Equality Impact Assessments were undertaken prior to the allocation of the 2011/12 budgets and each Directorate was advised of any significant equality implications relating to their budget proposals.

Community Safety:

8. Not Applicable.

Sustainability:

9. Not Applicable.

Procurement:

10. Not applicable.

RECOMMENDATION(S):

The Committee is asked to:-

11. Consider and comment on the attached Executive report and associated appendices which was reviewed by the Executive on the 3rd July 2012.

Executive Summary

12. The report sets out the provisional financial position for 2011/12 based at the end of March 2012. Explanations for the variances are set out below under the Directorate Commentary. This report enables the Executive to review the overall financial outturn position of the Council.

KEY HIGHLIGHTS (Appendices A1, A2, A3, A4, A5)

13. In Summary
14.
 - Provisional outturn under spend of £0.494M against budget (0.3%) very much in line with expectations (£31k higher than February forecast).
 - The provisional outturn position includes the planned use of, and proposed transfers to, reserves.
15. Non current debt is £13.4M, an increase of £3.5M on last month. This increase is mainly due to invoicing to ensure that year end accounts reflect the correct values for the year. Debts that are 15 – 30 days old has therefore gone up by £3.9M, whilst the longer term debt (over 30 days old) has reduced by £400k.
16. Directorate forecast outturn variances
17. The main provisional variances are:
- £1.8M 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;
 - £1.3M under spend in Children's Services largely due to one off contributions of £975k from the School Forum;
 - a £0.9M under spend in Sustainable Communities mainly due to increased planning income, and one off savings in salary costs following restructures;
 - £1.4m overspend in Corporate Services including planned use of, and proposed transfers to, earmarked reserves. This is due to proposed transfers to earmarked reserves of £2.05m. The operational result before transfers to earmarked reserves is an underspend of £0.65m; and
 - a £0.2M under spend in Corporate Costs due to reduction in Premature Retirement costs.

DIRECTORATE COMMENTARY

18. Social Care, Health and Housing
19. The **General Fund** provisional outturn for the directorate is an underspend of £1.8m or 3.2% (£0.7m under spend at February).
20. There has been a significant movement of £1.0m from the February forecast to the outturn position. This has resulted from removal of the PCT bad debt provision of £0.2m as the 2010/11 health funding was paid in mid April 2012. In addition within Learning Disabilities, £0.3m as a consequence of later than anticipated start dates on packages and some double counting within previous forecasts of day care packages that were met through Direct Payments. In addition there were positive decisions during March from other local authorities and continuing health care funding responsibility of £0.3m and contract savings identified in March of £0.1m (Turning Point) and additional customer income of £0.2m from other local authority contributions for Respite and House Sale income.
21. The Adult Social Care service over spent by £0.524m (balanced budget at February). The main pressure within this area is from Older People package costs which were over spent by £0.363m as a result of people 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 former self funders requiring local authority support.
22. To quantify the impact of former self funders, 34 have required council support during the 2011/12 in residential and nursing care at an estimated additional full year cost of £0.566m. Given the current financial climate this trend is unlikely to diminish and will continue to put pressure on the Council's budget.
23. Challenging efficiency targets were set against the Older People service area and they were fully achieved so good progress was made. A positive example of this is the Reablement service which has achieved reductions in care hours during 2011/12 of 3,134 which is equivalent to a saving of £0.323m. It is evident that whilst this activity is reducing costs to the Council it is not able to completely mitigate the costs of demographic pressures.
24. The Learning Disabilities service area is within budget although package costs are under spent by £0.478m, offset by an over spend of £0.479m in cross boundary charging.
25. The Commissioning service under spent by £1.344m (£0.621m at February) relating to the efficiencies made against the Learning Disability & Public Health Reform Grant £0.659m and mental health contracts £0.422m. Customer income over-achieved by £0.915m within the Business & Performance service area.

26. On 3 January 2012, the Department of Health announced that a further £150M of funding would be made available and would transfer from the health system to local authorities for 2011/12. For Central Bedfordshire this amounted to £0.674M and plans are being discussed with the PCT on how this funding will be utilised. It is likely to be used to fund the provision of Step Up/Step Down facility opened in this year at Greenacres and the resulting under spend will be earmarked to fund the facilities in 2012/13.
27. The Housing Revenue Account (HRA) annual expenditure budget was £25.002m and income budget was £24.807m with a contribution of £0.195m from HRA reserves to present a net budget of zero. A subjective breakdown of this budget and outturn is shown below:

2011/12	Budget	Outturn
	£m	£m
TOTAL Income (Rents & Service Charges)	(24.807)	(25.034)
Staffing Costs	3.014	3.498
Repairs and Maintenance Costs	4.697	4.285
Stock Investment Programme	4.825	4.469
Corporate / Directorate Recharges	1.272	1.319
Supplies & Contracted Services	1.300	1.409
Housing Subsidy payment	9.894	9.893
TOTAL Expenditure	25.002	24.873
Contribution to / (from) reserve	(0.195)	0.161
Net Expenditure	0	0

28. The 2011/12 outturn for the HRA enables a contribution to the HRA reserve of £0.161m. A contribution from reserves of £0.195m was anticipated in the budget.
29. £0.093m of this variance is accounted for by reduced insurance costs, resulting from reduced premiums and the refund of part of the insurance provision. This provision related to claims prior to the creation of Central Bedfordshire Council, which have now reduced to a de minimis level.
30. £0.090m of this variance is the result of a minor under spend on the HRA Capital programme. The capital programme is financed predominantly by direct revenue financing, together with a small amount of capital receipts.

31. The other part of the variance (£0.174m) is accounted for by increased rental income. During 2011/12 the Council adopted a policy of re-letting to new Council tenants at formula rent. Formula rent represents a level playing field for social housing tenancies (so that tenants pay the same level of rent for similar properties, whether they rent from Housing Associations or the Council). During the year approximately 250 tenancies were let in this way, enhancing the Council's rent receipts.
32. Children's Services
33. Children's Services annual expenditure budget is £68.6M and income budget, including transport, is £33.0M which leaves a net expenditure budget of £35.6M. The provisional outturn position for 2011/12 is £1.32M under spend, an increase from £0.930M reported in February. 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 Dedicated Schools Grant set aside for School Redundancies and the Local Authority Central Spend Equivalent Grant (LACSEG), that in future years will be paid directly to schools.
34. Within Children's Services Operations, the outturn position reflects an overspend of £957K (£726K February). This is mainly due to 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 loads for each social worker. This has been noted in risk assessments in previous months.
35. The increase from February is largely due to the re-commissioned supervised contact service to be provided by Action for Children which could not begin until 2012. This service provides supervised access for children and young people with their families that are subject to care proceedings, to meet the legal requirements of the Council as set by the court within each individual care plan. There are also increased numbers in Fostering and Adoption.
36. Within Learning, Commissioning and Partnerships (LC & P), the outturn position is an under spend of £2.282M (£1.655M February). The improvement to February of £627K is mainly due to Transport (£268K), Youth Service and School Support. The overall under spend is largely due to the School Forum's contribution of £975K, had this contribution not been available the underspend would have been £1.3M. This is attributable to the review of the transport budgets in line with schedules provided by the service, one off discretionary spend and posts being held to allow for early implementation of efficiencies planned for 2012/13.
37. As in previous months there has been an increase in needs led budgets within Child Protection and Looked After Children.

38. 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.
39. Sustainable Communities
40. Sustainable Communities annual expenditure budget is £62,813k and income budget of £12,144k. The provisional outturn for the directorate after the use of reserves is an under spend of £894k.
41. The provisional outturn of £894k under spend is an improvement of £764k on the February forecast. On the expenditure side the pattern of under spend remains consistent with previous months. Salary costs remained below budget due to staff vacancies and lower superannuation costs; whereas electricity, fuel and vehicle maintenance and business rates were above budget. A one-off saving from waste contracts of £129k, and savings in leisure operations of £67k contributed towards reducing the outturn expenditure.
42. Grant income was higher than budgeted by £409k. Most of the increase is due to the new Safer Communities grant of £232k which has been allocated across a range of projects supporting community safety priorities, including the Integrated Offender Management Scheme. This grant will be significantly reduced in 2012/13 and would transfer to the Police and Crime Commissioners.
43. Fee income was budgeted at £9,744k and at the end of March £9,561k was realised, which is a shortfall of £183k. The effect of slower economic conditions is evident on the Directorate's figures especially in the demand led income arena. Despite this fact, the Directorate has managed to post favourable results.
44. Corporate Services
45. The provisional outturn position, £27.8m net spend before Corporate Costs, contingency and reserves, but including planned use of, and proposed transfers to, earmarked reserves identifies an over spend of £1.4m. This figure is due to proposed transfers to earmarked reserves of £2.05m.
46. The key reasons for the provisional variance are due to:
47. Chief Executive (-£0.3m) – provisional under spend due to savings from the organisational restructure.
48. ACE People & Organisation (-£0.4m) – provisional under spend, resulting from underspends within staff costs in Committee Services and Customer Services, pressures within Agency costs in Human Resources and higher than expected Local Land Charges income in Democratic Services. There is a proposed transfer to earmarked reserves of £0.15m to cover revenue expenditure on the SAP Optimisation project.

49. ACE Resources (+£2.0m) – provisional pressure due to the costs of interim staff, increased benefit claimants and the outcome of benefits audits, together with a shortfall in insurance income, additional insurance claims provision requirement and budget shortfalls for NNDR costs within Assets.
50. Included in this figure are proposed transfers to earmarked reserves of £0.30m (Invest To Save), £0.09m (Insurance) and £0.45m (ICT Stability).
51. There is an additional transfer of £1.08m into the Insurance Reserve needed to cover future Municipal Mutual Insurance (MMI) costs. This is related to a Supreme Court ruling in March 2012, stating that the Council could be liable to pay contributions back to MMI for claims relating to the period where MMI ran the Council's scheme. An Actuarial review has recommended that a reserve of £1.08m should be created to cover this.
52. The operational result, excluding transfers to earmarked reserves, is an overspend of £0.1m.
53. Corporate Costs
54. Corporate Costs (-£0.2m), provisional outturn £11.8m. Pressures around non achievement of some cross cutting efficiencies, and a reduction in debt management and premature retirement costs.
55. Contingency and Reserves
56. Contingency and Reserves (+£2.4m), provisional outturn £3.2m (after use of reserves). This includes contributions to General Fund Balances of £1.4m (planned) and £2.6m (additional).

RESERVES POSITION (Appendix B)

57. Earmarked Reserves
58. The provisional outturn positions allows for the planned use of £3.1M Earmarked reserves and the proposed transfer to Earmarked reserves of £7.2M. (Excluding HRA and Schools). This would result in a forecast closing position of £18.5M earmarked reserves at year end.
59. General Reserves
60. The opening balance on General Fund was £7.089M. It is planned to transfer a budgeted £1.4M this year plus £2.6M additional. Assuming no further adjustment, this will result in a closing balance of £11.583M. General Fund balance is now at the minimum prudent level two years earlier than planned. This balance needs to be seen in the context of significant risks and changes in Local Authority funding from 2012-13 onwards.

DEBTORS (Appendix D)

61. General CBC sales debtors (excluding house sales and grants) at March amounted to £16.7M. Of this £3.88M was over 60 days old; all of which is actively being managed.
62. £3.6M is actively being chased; £91k identified as disputed and work to resolve is underway. £82k has instalment agreements in place and £154k is being dealt with through legal channels. A further £1.2M is in respect of charges against houses which will be repaid once the houses are sold.
63. The largest items of note within the total debt are:
- (a) Social Care, Health and Housing General Fund debt at the end of 2011/12 stood at £6.5m (£6.1m at February) of which £2.2m is house sales debt, £2.3m Health Service debt, £0.1m other Local Authorities. Of the remaining general debt of £1.9m, £0.6m (48%) is more than one year old. This includes legacy debt as well as Central Bedfordshire debt.
 - (b) Total current and former tenant arrears were £0.886m at the end of the financial year (£0.998m at the end of February). Current arrears are £0.571m or 2.28% of the annual rent debit of £25.01m (£0.665m or 2.7% at the end of February). The figure of 2.28% is a 0.13% adverse variance against a target of 2.15%. Performance on Former Tenant Arrears is 1.26% against a target of 1.0%, leaving a balance of £0.315m.
 - (c) There have been write offs of £0.056m.
 - (d) Children's Services – The debt over £10K (Appendix E1) totals £874K (£1.318M January), £481K of which relates to Bedford Borough.
 - (e) Sustainable Communities - The total debt at the end of March was £3,272k an increase of £731k compared to December quarter. Sections 38, 106 and 278 legal agreements account for £2,402k or 73% of debt. Sixty percent of debt is less than three months old. Since December, the value of debt up to three months old has increased by £622k, and debt older than three months has increased by £109k.
 - (f) Corporate Services – Overall debt has increased by £0.854m in the month. This is due to an increase in invoicing during March and a resulting increase in short term debt of £1M, offset by a reduction in longer term debt of £150k. There is currently £300k that is over 90 days old; this represents 13% of the total debt.
 - (g) NHS Bedfordshire – relates to a number of items including £170k for free nursing care, £563k Health Funding Grant and £238k Reablement Funding from 2010/11 (raised in March 2011). Officer discussions have occurred and the debts were settled post year-end in April and May 2012.

CAPITAL

64. The position on Capital is subject to a separate report on the Agenda.

Appendices:

Appendix A1 – Council Revenue Summary
Appendix A2 – Directorate Summary
Appendix A3 – Monthly forecast variance
Appendix A4 – Subjective Analysis
Appendix B – Earmarked Reserves
Appendix D – Debtors

Background Papers: (open to public inspection)
None