
Meeting: Corporate Resources Overview and Scrutiny Committee
Date: 31 July 2012
Subject: 11/12 Provisional Outturn Revenue Budget Monitoring Report - Corporate Services Directorate
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: Phil Ball, Senior Finance Manager
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. **Note and Consider the report.**

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. This report enables the committee to review the overall financial outturn position of the directorate.

KEY HIGHLIGHTS

13. In Summary
14. 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. However, this figure includes proposed transfers to earmarked reserves of £2.05m. The operational result before transfers to earmarked reserves is an under spend of £0.65m.
15. Directorate forecast outturn variances
16. The main provisional variances being:
- Chief Executive (-£0.3m) – provisional under spend due to savings from the organisational restructure;

- ACE People & Organisation (-£0.4m) – provisional under spend, resulting from under spends within staff costs in Committee Services & Customer Services, pressures within Agency costs in HR 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;
- ACE Resources (+£2.0m) – after proposed transfers to earmarked reserves of £1.9m. 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;
- Included in this figure are proposed transfers to earmarked reserves of £0.30m (Invest To Save), £0.09m (Insurance) and £0.45m (ICT Stability);
- There is an additional transfer of £1.08m into the Insurance Reserve needed to cover future 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 Municipal Mutual Insurance (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;
- The operational result, excluding transfers to earmarked reserves, is an over spend of £0.1m;
- Corporate Costs (-£0.2m) - Pressures around non achievement of some cross cutting efficiencies, and a reduction in debt management and premature retirement costs;
- Contingency & Reserves (+£2.4m) - This includes contributions to General Fund Balances of £1.4m (planned) and £2.6m (additional). The outturn before the additional contribution to General Fund Balances is an under spend of £0.2m.

SERVICE COMMENTARY

17. Chief Executive
18. Provisional Outturn under spend position of £282k, key variance being the deletion of three posts within AD Strategy and Performance and the Director of Customer and Shared Services following the organisational restructure resulting in a provisional under spend.

19. ACE People and Organisation

20. There is an over spend of £350k. The key variances are:

- £133k overspend due to ACE People & Org post created following organisational restructure. No budget exists for this post; however the cost is largely offset by the savings reported within Chief Executive;
- £67k overspend due to SAP Optimisation consultancy costs. These are not able to be capitalised due to the nature of the work carried out;
- £150k overspend due to the creation of an earmarked reserve in this area. This is to reflect anticipated Revenue costs associated with the SAP Optimisation programme.

21. Communications

22. Provisional Outturn under spend of £89k, key variances being:

- A £27k under spend against the Consultation supplies and services budget partly due to the Residents Survey and Budget Survey being combined as one survey and a decision to formulate the staff survey in house;
- A £9k under spend against the Head of Service Printing and Stationery, Staff Advertising and Professional Services budgets;
- A £10k under spend against the Web Development budget;
- An £8k under spend against the External Communications media monitoring budget;
- A £6k under spend against the Internal Communications Advertising and Publicity budget;
- A £14k under spend against the staffing budget partly due to vacant posts and an under spends against the car mileage budgets;
- Unbudgeted income of £14k due to the capitalisation of salary costs for the Web Development budget who is currently working on the Channel Shift Capital Project;
- A £2k over spend against the News Central budget due to an £8k anticipated shortfall in advertising income which has been mitigated by a £6k reduction in expenditure.

23. Customer Services

24. Provisional outturn under spend of £190k including use of reserves, key variances being:

- £233k under spend due to holding staff vacancies;
- £22k under spend due to Budgeted Contingency not required;
- £88k pressure due to aborted CRM Capital Project costs;
- £12.5k additional Grant income for Duty desk;
- £16k additional income due to capitalisation of staff salaries.

25. Policy and Strategy

26. Provisional outturn under spend of £59k, key variances being:

- A £28k under spend against the staffing budget primarily due to a Research Officer post being vacant for the first few months of the financial year, a Corporate Advisor post being made redundant in January and an under spend against the car mileage budget;
- A £10k under spend resulting from a decision not to implement the new Customer Relation Management System until next financial year;
- A £16k under spend against the Printing and Stationery budget due to MFD recharges being less than the budgeted cost which was based on the 2010/11 requirement;
- A £5k under spend against the Conference Fees, Subscriptions and Membership Fees and Professional Services budgets.

27. Customer Insight and Risk

28. Provisional outturn under spend of £34k, key variances being:

- A £22k under spend against the staffing budget primarily due to a member of the team being on maternity leave;
- Unbudgeted income of £15k due to the capitalisation of salary costs for the Team Leader who is currently working on the Channel Shift Capital Project;
- A £3k pressure resulting from purchase of Population Forecasting Software for which there is no budget provision.

29. People

30. The provisional outturn pressure of £80k after the use of reserves, key variances being:

- Largely due to a number of one off costs including winding up HEART, temporary staff associated with Recovery, and a temporary payroll expert to assist with payroll redesign and bringing payroll provision in house.

31. Legal and Democratic

32. The provisional outturn of an under spend of £433k after use of reserves, key variances being:

- £126k under spend due to overachievement of efficiency target in Committee Services restructure;
- £256k actual under spend on Election Services after the release of reserves of £180k;
- £74k under spend due to saving against Members Allowances & Expenses;
- £35k surplus income in due to higher than expected income in the Registration Service;
- £60k one off award of legal costs for a long standing legal case has been awarded in the authority's favour;

- £95k increase on income outturn is due to increasing demand for Local Land Charges throughout the year;
- £214k pressure due to top up required for Legal Provision for outstanding cases.

33. ACE Resources

34. There is an overspend of £117k. This was a new post created following organisational restructure. No budget exists for this post; however the cost is largely offset by the savings reported within Chief Executive. This post was vacated from February 2012.

35. Programme and Performance

36. Operational I- Provisional outturn under spend of £66k, key variances being:

- Staff costs for notice period working, not included in original budget, resulting in a pressure of £47k;
- A Programme Manager post being held vacant, resulting in a provisional under spend of £56k;
- A further Programme Manager post which has been vacant for part of the year and has resulted in a provisional under spend of £8k.
- Net under spend of £30k due to differences between the budgeted and actual cost of posts;
- An under spend of £8k against the car mileage budget;
- The postponement of the purchase of a new Performance Management System resulting in an under spend of £10k;
- A £9k under spend against the subscriptions budget and various other supplies and services budgets;
- A £8k pressure for expected MFD recharges.

37. Non Operational- including Invest To Save, Pan Public Working and Corporate Subscriptions, which have a combined provisional outturn of under spend of £14k. The provisional under spend relates to Corporate Subscriptions and is due to discounts against a number of subscriptions being received in year. The provisional outturn includes a proposed transfer to earmarked reserves of £135k for Passenger Transport and £68k for Customer First, both funded from Invest To Save.

38. E Procurement and Payments

39. Provisional under spend of £61k after use of reserves. The main reasons for this are:

- £40k net under spend due to Staff vacancy savings;
- £20k additional income from Procurement savings.

40. Finance

41. provisional pressure of £2.031m after use of reserves, key variances being:

- £1,080k pressure due to increase in Insurance Reserve to acknowledge future MMI Costs;
- £384k pressure in Insurance area. This is made up of shortfall in income (£127k), increase in Premiums and associated costs (£147k), and an increase in Insurance Provision for outstanding claims (£115k) which had previously been identified as a risk;
- £107k pressure against posts within Financial Strategy due to interim cover;
- £95k pressure in Income & Sundry Debt Team due to additional professional service costs, Systems Maintenance and Bank charges;
- £87k net under spend in Audit section partly due to a reduction in staffing costs (-£47k) and External Audit Fees (-£40k);
- £387k pressure in Revs & Bens due to Housing Benefit Subsidy variance and impact of previous years Audit findings;
- £50k pressure due to increased professional services costs in Revs & Bens;
- £48k pressure in Revs & Bens due to issues around printing of Council Tax & NNDR bills coupled with unbudgeted MFD recharges.

42. ICT

43. Overall position of ICT is a provisional under spend of £125k to budget, key variances being:

- £100k under spend due to unbudgeted capitalisation of salaries;
- £450k transfer to earmarked reserves relating to expected costs for ICT Stabilisation;
- £494k under spend due to reduction in ICT Licences, Maintenance & software.

44. Assets

45. Provisional pressure of £161k after the use of reserves, key variances being:

- £177k pressure for non-budgeted items including costs for the EC Harris review, MACE accommodation review & Bedford Borough debt;
- £110k pressure on running costs for Kingsland;
- £123k pressure for running costs for Technology House;
- £8k pressure due to reduced income at Bossard House;
- £130k pressure for running & postage costs at Priory House;
- £75k pressure due to historic electricity bills for Priory House;
- £234k pressure for securing & maintaining surplus properties prior to disposal;
- £96k pressure in the Capital projects team mainly due to an underachievement on capitalisation of costs;
- £104k staff cost savings due to various staff changes;

- £136k savings from the closure of the schools catering contract;
- £130k savings on running costs & rates for Vernon Place;
- £137k of costs relating to the LDF programme were capitalised;
- £108k benefit in income & rates credit for the Depots;
- £199k additional income for lease at Kingsland.

46. Corporate costs

47. Corporate Costs has a provisional under spend of £227k. The key variances being:

- £687k pressure due to non achievement of some cross cutting efficiencies;
- £260k under spend due to reduction in Premature Retirement costs;
- £654k under spend due to reduction in Debt management costs.

48. Contingency and Reserves

49. Contingency is over spent by £2.373m after use of and transfers to earmarked reserves. This reported overspend is wholly as a result of an additional £2.6m contribution to General Fund balances. This contribution enables the council to achieve minimum prudent level of reserve balances, two years earlier than planned. Additionally, there has been a contribution to the bad debt provision of £655k. The operational result before the additional transfer to reserves is an underspend of £0.2m.

50. Reserves position (Appendix B)

51. The balance at the start of 2011/12 for Earmarked Reserves is £5.425m. In year, there have been transfers from reserves totalling £1.198m and contributions to Earmarked reserves totalling £2.800m. More detailed analysis is included within the appendix.

52. The proposed Earmarked reserves at 31st March 2012 are:

- £3.329m Redundancy/Restructure Reserve;
- £4.221m Insurance Reserve;
- £0.889m of Corporate Services reserves.

53. Debt Management (Appendix C)

Overall debt has increased by £0.854m in the month. There is currently £300k that is over 90 days old; this represents 13% of the total debt.

A summary of debt ageing is appended.

54. Management Actions:

55. Budget Managers are regularly sent details of debts that are of a large amount or have become overdue by a long time period. These debts are discussed at monitoring meetings and budget managers are encouraged to take an active role in resolving these debts.

Appendices:

Appendix A1 – Council Revenue Summary

Appendix A2 – Directorate Summary

Appendix A3 – Monthly forecast variance

Appendix B – Earmarked Reserves

Appendix C – Debtors

Background Papers: (open to public inspection)

None