Meeting:	**Executive**
Date:	**18 March 2013**
Subject:	**Quarter 3 Revenue Report 2012/13**
Report of:	**Councillor Maurice Jones, Deputy Leader and Executive Member for Corporate Resources**

Summary: The report provides information on the revenue position as at Quarter 3 2012/13 and the forecast outturn position for 2012/13.

Advising Officer:	Charles Warboys, Chief Finance Officer
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)	Not applicable

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:

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

Legal:

2. None.

Risk Management:

3. None.

Staffing (including Trades Unions):

4. Any staffing reductions will be carried out in accordance with the Council's Managing Change Policy and in consultation with the Trades Unions.

Equalities/Human Rights:

5. Equality Impact Assessments were undertaken prior to the allocation of the 2012/13 budgets and each Directorate was advised of significant equality implications relating to their budget proposals.

Public Health:

6. None.

Community Safety:

7. None.

Sustainability:

8. None.

Procurement:

9. None.

Overview and Scrutiny:

10. The 2012/13 Quarter 3 revenue report will be considered by the Corporate Resources Overview and Scrutiny Committee on 30 April 2013.

RECOMMENDATIONS:

The Executive is asked to:

1. **note that the Revenue forecast position is projected to underspend budget by £0.3m; and**

2. **request officers to continue with their efforts to achieve a minimum balanced outturn or an underspend.**

Reason for Recommendations:	*Note the financial position of the Council and that efforts continue to achieve a balanced budget outturn for 2012.*

Executive Summary

11. The report sets out the financial position for 2012/13 as at the end of December. It sets out spend to date against the profiled budget and the forecast financial outturn. Explanations for the variances are set out below in section 3. This report enables the Executive to consider the overall financial position of the Council and agree any further actions to deliver as a minimum a balanced financial year end.

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

12. In Summary

- The 2012/13 forecast outturn is to underspend by £0.3m. This is an improvement of £0.5m on November forecast overspend and is due mainly due to a £0.6m improvement in Adult Social Care and £0.3m reduction in Corporate overall.
- The forecast at this stage is based on using the full £2.1m contingency. To date £100k has been committed.
- The Year to Date (YTD) spend is £5.1m below budget. However, this should not be seen as indicative of the full year position due to the uncertainty of timing of grants received and difficulty in profiling certain demand led budgets.
- All known risks and opportunities are now incorporated into the forecast. The forecast includes a £1.1m Earmarked Reserve to cover the potential impact of the financial settlement in 2013/14.
- December non current debt (i.e. debt that is more than 14 days from date of invoice) is £6.9m, which is £4.2m lower than last month (Note £1.5m Health Service debt settled early December and quarterly commercial rent invoices raised in November were also settled in December).

13. Directorate forecast outturn variances

The full year forecast as at December for directorates after proposed use of reserves is a £0.3m underspend. The following are the key areas:

i) Social Care Health and Housing £0.6m below budget.

ii) Children's Services £1.1m above budget (inc Schools).

iii) Sustainable Communities £0.7m below budget.

iv) Corporate Services £0.1m below budget.

v) Corporate Costs and Contingency (combined) on budget.

14. Directorate Year to Date (YTD) variances

YTD spend for 9 months (exc. Schools and HRA) at £124.0m after proposed use of reserves is below budget by £4.9m. The following are the key areas:

vi) Social Care Health and Housing £3.1m below budget.

vii) Children's Services £1.3m above budget.

viii) Sustainable Communities £0.7m below budget.

ix) Corporate Services £1.5m below budget.

x) Corporate Costs and Contingency (combined) £0.9m below budget.

DIRECTORATE COMMENTARY

Social Care, Health and Housing

15. The General Fund forecast outturn for the directorate is an underspend of £0.6m.

16. The Adult Social Care service is projecting an under spend of £0.602m (underspend of £0.051m at Quarter Two). Within this service area is Older People package costs which are currently showing an overspend of £0.089m. People are living longer and the costs of dementia are on the increase. The budget setting process included an allowance for increase in demography of 5%, equivalent to £1.8m. This also has to cover the cost of former self funders requiring local authority support.

    The year-to-date position on Adult Social care is an underspend of £2.4m which indicates a much higher forecast underspend for the full year. Whilst some budgets have been profiled, including Transitions, there are some areas of activity where the pattern of spend will increase later in the year due to phased recruitment and new projects not reflected in profiles.

17. Within Physical Disabilities, the overall position on care packages is an underspend of £0.463m (underspend of £0.521m at Quarter Two). The underspend largely reflects reductions in nursing placement/diversion of funding to health. Additional budget was provided for Transitions from Children's Services and six new cases have commenced this year.

18. Within the Older People client service group, the impact of former self funders continues to be tracked. Seventeen service users in this category have required Council support to Quarter 3 at an estimated full year cost of £0.200m. The customer numbers are less than for the equivalent period in 2011/12 but, given the current financial climate, this trend is unlikely to diminish and will continue to put pressure on the Council's budget.

19. Challenging efficiency targets were set against the Older People service area and these are mainly on track. The Reablement service continues to achieve reductions in care with 1,803 hours to the end of Quarter 3, which is equivalent to a saving of £0.207m with a projected full year saving of £0.224m. It is evident that whilst this activity is reducing costs to the Council it is not able to completely mitigate the costs of the demographic increases.

20. The Learning Disabilities service area is projecting an overspend on care packages of £0.171m after reserves. A reserve of £0.566m is held to meet the expected impact of two major de-registering providers but this process has been delayed and the reserve is expected to cover all current year costs.

21. The Commissioning service is projecting an underspend of £0.503m. This is a combination of an underspend on contracts of £0.070m together with a projected underspend of £0.350m on residential fee uplifts due to deferred implementation. Customer income is projected to over achieve by £0.322m against budget within the Business & Performance service area.

22. HRA is subject to a separate report.

Children's Services

23. The full year projected outturn position for 2012/13 is £1.112m overspend (inc Schools) compared to a £1.602m overspend at Quarter 2. The reduction from Quarter 2 (£489k) is mainly due to further savings in the Learning Directorate offsetting the increase in Child Protection and Fostering costs. All areas of the Directorate have sought to reduce discretionary spend and hold vacancies where possible, to offset the expected increase in Child Protection costs.

24. The budget to date is £23.261m compared to actual spend to date of £24.533m, over budget by £1.272m. The spend to date variance is in line with the expected outturn position.

25. The main areas contributing to the current forecast overspend are; Children in Care and Care Leavers £1.086m, Intake and Family Support £703k, an increase from Quarter 2 of £536k, at which time this was a combined service. The Fostering and Adoption Service is £661k overspent (£595k Quarter 2). The SEN Transport budget also contributes to this pressure with a forecast overspend of £236k.

26. The pressures in Child Protection are due to additional expensive specialist children placements, increases in Looked After Children and the cost of agency workers covering qualified posts. The development and recruitment of qualified social workers to fill vacancies is an ongoing activity.

27. Between April 2011 and March 2012 the number of Looked After Children increased by 32 to 208. The number of children currently in care, at 237, is below that of statistical neighbours, where the average is approximately 255 children. The number of children with a child protection plan (CPP) is now 248. Central Bedfordshire is now above the national figure and statistical neighbours.

Work to determine whether thresholds for child protection plans are sound, and whether the plans formulated properly address concerns for children, continues to be undertaken through further independent auditing.

Sustainable Communities

28. Sustainable Communities manages a gross expenditure budget of £58.562m and income budget of £10.850m leaving a net expenditure budget of £47.712m.

29. Sustainable Communities' overall financial position is forecast at £723k under budget after the use of earmarked reserves of £789k for one-off specific projects, with a proposed transfer to reserves of £345k.

30. Economic Growth Skills & Regeneration has forecast an overspend of £151k which is an adverse change of £126k from Quarter 2. This is being offset by other efficiencies within sustainable Communities in year.

31. Highways &Transport Division has forecast an overspend of £92k, which is an improvement of £55k on Quarter 2.

The overspend on Highways relates to a one-off expenditure on potholes due to the bad weather earlier in the year. This overspend of £150k is partly offset by forecast underspend in salary and related spend.

32. Planning Division has forecast an under spend of £75k which is an increase of £10k on Quarter 2.

The change is mainly due to reduced expenditure on consultancy cost as less work has been commissioned this year than was originally envisaged.

33. Environmental Services (previously known as Community Safety Public Protection Waste & Leisure) now includes traffic management.

The Environmental Services Division has forecast an underspend of £891k which is an improvement of £645k on the last quarter.

The Waste Service forecast underspend reflects the additional in year savings from the new Residual Waste and Recycling Treatment and Disposal contracts. This is an anticipated underspend, full year savings are incorporated in 2013/14 in the new Medium Term Financial Plan.

Corporate Services & Corporate Costs

34. The full year budget for the directorate of £42.558m is made up of:

Corporate Services £28.553m

Corporate Costs £13.801m

Contingency & Reserves £0.204m

35. The overall directorate is currently forecasting an outturn underspend of £0.1m after use of earmarked reserves. The forecast includes a proposed Corporate Earmarked Reserve of £1.1m which has been created to cover the potential impact of future funding cuts.

The key forecast variances identified are:

36. £30k underspend within People & Organisation - Legal & Democratic Services, the main item being £169k pressure as a result of increased Children's cases workload. This has been wholly mitigated by various savings in other areas of Legal and Democratic Services.

37. £76k net pressure within People & Organisation, People, due to additional Health and Safety staffing needed (£28k pressure) and unachievable income target within HR Traded Services (£159k pressure). This has been mitigated in part by other overall reductions in salary costs saving and bringing payroll in house (£111k saving).

38. £350k saving within People & Organisation, Programme and Performance, largely due to a lower than budgeted allocation to Invest to Save projects.

39. £289k net pressure within Resources, Finance, largely made up by the following variances: £133k pressure in Revenues & Benefits, mainly due to DWP now recouping £300k more Housing Benefit subsidy for 2009/10 partly mitigated by staff vacancy savings (£59k), £144k due to the bursary service ceasing, reflecting an unachievable income target; £250k insurance income shortfall largely as a result of fewer schools buying the insurance package and £147k underspend in Audit following a reduction in audit fees and salary savings following staff secondments.

    There are also other various savings of £89k across the rest of the Finance Department. There are also savings in debt management costs of £1,074k, managed within the Finance team, the benefits of which are recorded in Corporate Costs.

40. Underspend of £150k within Resources, Information Assets (IA, formerly ICT) as a result of savings against superannuation costs and software maintenance contracts.

41. Within Corporate Costs, the impact of non achievable budget efficiencies from prior years has been mitigated by lower than budgeted interest payable and MRP costs (net £793k saving).

42. Contingency and reserves is over budget by £0.8m due to the creation of a proposed Earmarked Reserve to cover the potential impact of future funding cuts partly offset by £253k higher than budgeted New Homes Bonus award.

43. NNDR (Business rates) write offs of £238k were recognised in the month but this has no impact on performance as it is charged to the national NNDR pool.

RESERVES POSITION

Earmarked Reserves

44. The opening balance of Earmarked Reserves is £18.5m (Excluding HRA and Schools). The current reported position proposes the planned use of £5.1m Earmarked reserves and proposed transfer to Earmarked reserves of £2.4m. This would result in a forecast closing position of £15.8m Earmarked reserves at year end.

General Reserves

45. A recent report by the Audit Commission noted the following: “Reserves are an essential part of good financial management. They help councils cope with unpredictable financial pressures and plan for their future spending commitments.” The degree of volatility in local authority financing is increasing, and the Council continues to plan for an appropriate level of reserves to meet unexpected financial developments.

2011/12 outturn enabled us to make additional contributions to the General fund reserve which outturned at £10.9m. The budget plan is to make further contributions in year, resulting in reserves of £12.3m for 2012/13 outturn, which will be subject to review.

RISKS AND UPSIDES (Appendix C)

46. All identified risks and opportunities are incorporated into the forecast outturn.

DEBTORS (Appendix D)

47. General CBC sales debtors (excluding house sales and grants) for December amounted to £7.3m. Of this £4.3m was over 60 days; all of which is actively being managed.

Of the Over 60 days debt - £2.4m is actively being chased, £0.2m is in dispute, work to resolve these is ongoing. £0.2m have instalment arrangements in place. £0.2m is being dealt with through legal channels. A further £1.3m is in respect of house Sales.

48. i) The largest items of note within the total debt are:

ii) Adult Social Care general fund debt at the end of Quarter 3 2012/13 stood at £4.4m (£5.96m for Quarter 2) of which £2.0m was house sales debt, £0.7m Health Service debt and £0.2m other Local Authorities. Of the remaining general debt of £1.5m, £1.0m (71%) is more than 60 days old. This includes legacy debt of £0.266m as well as Central Bedfordshire debt. There are 34 debtors whose outstanding balance is greater than £0.010m – these are all under active management.

iii) Total debt for Children's Services is £596k (£395k Quarter 2), £130k is debt over 61 days. The debt over £10K totals £407(£260k Quarter 2), £157k of which relates to Bedford Borough which are also under active management.

iv) Sustainable Communities total debt at the end of December was £3.250m, a decrease of £785k over Quarter 2 figures. Invoices relating to developers legal contributions to deliver planning requirements associated with new developments account for £2.288m or 71% of debt. About 60% of debt is less than three months old. All debt recovery is in accordance with Council policy.

v) Overall Corporate Services debt has decreased by £635k in the month to £1.380m. However of this there is £518k which is not yet due. There is currently £358k that is over 90 days old; this represents 26% of the current total debt. Finance has circulated to relevant Budget Managers details of customers who had debt of over £10k which was more than 60 days overdue. Budget Managers are working to resolve recovery of these debts and progress is being followed up at monthly budget meetings.

Treasury Management (Appendix E)

49. The authority received its benchmarking results for Quarter 2 (30 September 2012) which compared the authority's treasury Management activities against 38 other local authorities.

The results showed the Council's average rate of return on investments for the first half of the year was 1.42% (includes long term investment in the Lime Fund) compared to the benchmark authorities' average of 1.28%. This is shown in B2 (Average interest rate received on investments) on the Treasury Management Performance Dashboard attached as Appendix E.

50. Borrowing

The Council's authorities total borrowing has remained unchanged this quarter, as the Council continues to internally borrow for new capital projects.

As at 31st December 2012 the Council's total borrowing remained at a value of £315.5m, of this amount, £302m was with the Public Works Loan Board (PWLB) and £13.5m was Market Debt. The table below shows the split between the General fund and HRA.

	PWLB Fixed £m	PWLB Variable £m	Market (LOBO) £m	Total £m
General Fund	101.4	35.6	13.5	153.5
HRA	120.0	45.0	0.0	165.0
TOTAL	221.4	80.6	13.5	315.5

(LOBO is the Lenders Option/Borrowers Option market debt)

The profile of debt is spilt so that overall the authority has 71% Fixed PWLB debt, 25%, Variable PWLB debt and 4% Fixed Market debt, this is shown in A1 (Analysis of borrowing) on the Treasury Management Performance Dashboard.

51. Investments and deposits

When investing, the Council's main priorities remain security and liquidity, before yield. To diversify its Investment portfolio the Council invests in a range of funds such as fixed deposits, call accounts and money market funds, and uses a number of different institutions. B1 (Analysis of investments) of the Treasury management performance dashboard shows the breakdown of investment by institutions as at 31st December 2012.

The Council continues to keep its investments fairly liquid so that it has the option to withdraw funds quickly at times of stress, and secondly so it can use its cash balances to fund the capital expenditure programme.

52. B3 (Maturity profile on internal investment) of the dashboard shows the maturity portfolio of the Council's investments.

As at the 31 December, the council had just over £43m of its internal investments in call accounts and money market funds which equates to 63.4% of the Councils cash holding. This has been done so that the Council can draw down the funds over the next quarter. The remainder of the Council's cash has been placed into notice accounts and fixed rated deposits maturing between six and nine months. This has been placed at interest rates of between 0.76% and 1.0%.

53. The Council's average rate of return on investments to the 31 December was 1.28% (includes long term investment in the Lime Fund). At the time of writing this report comparable results for Quarter 3 benchmark average were not available.

B2 (Average interest rate received on investments) of the dashboard shows how the authority favourably compares to other benchmarked authorities between April 2012 and September 2012.

54. Cash Management

The range of daily cash movements has ranged between net payments of £11.2m and net income of £12.8m over this financial year. C1 (Analysis of daily cash movement) on the dashboard demonstrates the volatility of the cash movement.

55. C2 (Monthly cashflow analysis) on the dashboard sets out the range of cash outflows and inflows. In the financial year the monthly gross cash movement of the Council, both inflows and outflows, has varied between £50m and £70m.

C3 (Analysis of investments held by the Council) of the dashboard shows the level of deposits and investments held by the Council. This shows an upward trend of cash holdings.

This is typical for all councils, as large cash receipts are collected earlier in the year and related expenditure follows in later months and in some cases years (e.g. S106 monies may take several years to spend). The Council's actual average cash holding to the 31st December was £71.3m (excluding the Lime fund).

C4 (Average balance invested) of the dashboard illustrates how the Council's cash balances compares to other benchmarked authorities for the first half year. The benchmarked average for the Council was £74m compared to a benchmark average of £108.3m.

56. Outlook

The UK Bank Base Rate is not expected to rise until 2015/2016 implying that the short-term rate of return on investments and deposits will remain at very low levels.

The Council plans to continue to use cashflow balances in lieu of borrowing to fund capital expenditure and where possible to pay off maturing debt. In the current climate the Council is also keeping new investments fairly liquid overall having an adverse impact on investment income but increasing security of funds.

Appendices

Appendix A1 – Council revenue summary

Appendix A2 – Directorate summary

Appendix A3 – Monthly forecast variance

Appendix A4 – Subjective analysis

Appendix C – Risks and upsides

Appendix D – Debt

Appendix E – Treasury management performance dashboard

- Section A1 – Analysis of borrowing
- Section A2 – Benchmark of average interest rate paid
- Section A3 – Analysis of interest rate profile on debt
- Section A4 – Debt maturity profile
- Section B1 – Analysis of investments
- Section B2 – Average interest rate received on investments
- Section B3 – Maturity profile on internal investment
- Section C1 – Analysis of daily cash movement
- Section C2 – Monthly cashflow analysis
- Section C3 – Analysis of investments held by the Council
- Section C4 – Average balance invested

Background Papers:
None.