

Meeting: Corporate Resources Overview and Scrutiny Committee
Date: 30 July 2013
Subject: Q4 Outturn 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 2012/13 outturn position.

Advising Officer: Charles Warboys, Chief Finance Officer
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. None.

Risk Management:

4. None.

Staffing (including Trades Unions):

5. 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:

6. 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:

7. None.

Community Safety:

8. None.

Sustainability:

9. None.

Procurement:

10. None.

RECOMMENDATIONS:

The Committee is asked to:-

1. Consider and comment on the attached Executive report and associated appendices which was reviewed by the Executive on the 25th June 2013.

Executive Summary

11. The report sets out the financial outturn position for 2012/13.

Explanations for the variances are set out below. This report enables the Committee to consider the overall financial position of the Council..

12. **KEY HIGHLIGHTS (Appendices A1, A2, A3)**

13. In Summary

- The 2012/13 revenue outturn is an under spend of £0.5m. This is in line with the forecast under spend reported for the last five months of the year.
- Efficient management of the Council's finances has enabled additional contribution to general and earmarked reserves, which will facilitate the Council's response to future reductions in funding.

14. Directorate forecast outturn variances

The full year outturn for Directorate's as at March, after proposed use of existing and creation of new reserves is a £0.5m underspend. The following are the key areas:

- i) Social Care Health and Housing £1.7m below budget.
- ii) Children's Services £1.8m above budget.
- iii) Sustainable Communities £0.8m below budget.
- iv) Corporate Services £0.2m above budget.
- v) Corporate Costs and Contingency £0.1m above budget.

15. **DIRECTORATE COMMENTARY**

16. **Social Care, Health and Housing**

17. The General Fund outturn for the Directorate is an under spend of £1.7m after use of and new proposed reserves.

18. The Housing General Fund service under spent by £0.117m due to pilot projects within the Supported Housing section not coming on stream and an

increased allocation of staff costs to the Disabled Facility Grants capital programme. The service achieved a total of £0.280m of efficiencies during 2012/13 comprising the harmonisation of the Housing Needs service and a reduction in costs at the Traveller sites.

- 19 The Adult Social Care service under spent by £1.3m. The two key reasons for this were due to under spends in care packages for Older People and People with Learning Disabilities.
- 20 Older People care package costs were under spent by £0.411m. Within this, there were over spends in Residential and Nursing Care offset by under spends in Home Care, Respite and Physical Disability care packages. The on-going Adult Social Care efficiency programme has really contributed to this position reducing the number of admissions to residential care, the 'right sizing' of care packages and increased funding from continuing health care in times of increasing demographic pressure, people living longer with more complex needs and with increasing numbers of former self funders requiring the Council's support.
- 21 For Learning Disabilities, the service area under spent by £0.617m on care packages. This was due to a combination of reductions on Transitions and improved efficiencies through joint working with health
- 22 Within the Older People client service group, the impact of former self funders continues to be tracked. Twenty four service users in this category have required council support during 2012/13 at an estimated full year cost of £0.200m with a full year impact of £0.400m. The customer numbers are less than the equivalent for 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. Work is also underway to try and estimate the likely financial implications to the Council of the changes to the funding of Adult Social Care following the recommendations contained in the Adult Social Care Bill.
- 23 The Commissioning service under spent by £0.552m after contributions from reserves. This is due to an under spend on a number of contracts amounting to £0.165m together with £0.400m on the deferral of the residential dementia fee uplifts.
- 24 Customer income over achieved by £0.424m against budget within the Business & Performance service area. This was reflecting an increasing numbers of customers paying for their care due to changes in demographics and need.
- 25 HRA is subject to a separate report.

26 Children's Services

- 27 Children's Services net expenditure budget for 2012/13 is £32.914m. The provisional outturn position (before proposed new reserves) for 2012/13 is £119k overspend.

New Earmarked Reserves have been set aside for anticipated pressures in 2013/14; £0.3m Fostering and Adoption, £1.2m Looked after Children and £143k Children with Disabilities. In addition reserves have been set aside corporately for the shortfall in Early Intervention Grant funding in 2013/14 of £1.193m and the Threshold review of £0.5m.

The addition to reserves in Children's Services would have the impact of increasing the underlying overspend of £119k to £1.762m (excluding reserves

- held within the corporate area).
- 28 At Quarter three the reported forecast overspend was £1.112m (pre reserves), so the outturn represents a reduction to overspend of £0.993m. This reduction is mainly due to further savings in the Learning, Commissioning and Partnerships 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.
- 29 The Children Services Operations Directorate overspent by £1.98m and was offset by savings in Learning, Commissioning and Partnerships of £1.83m. Of this a 500k relating to predicted underspend in special educational needs has been proposed for virement into the operational services budget.
- The main areas contributing to the overspend (after use of reserves) are; Children in Care and Care Leavers £1.514m, Intake and Family Support £0.592m, and Fostering and Adoption Service £0.871m.
- The Operations Directorate overspend would have been significantly higher (£3.3m) had reserves from 2011/12 not been available.
- The Transport budget also overspent by £0.31m, mainly due to the SEN Transport budget £0.274m.
- 30 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
- 31 During 2011/12, the number of Looked After Children increased by 32 to 208. The number of children currently in care, at 250, 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 262. Central Bedfordshire is now above the national figure and statistical neighbours. Numbers of children in the care system are however likely to rise with consequent continuing pressures on budgets.
- 32 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. The price of intervention per child is being monitored particularly regarding high cost placements
- 33 Sustainable Communities**
- 34 Sustainable Communities' outturn is an under spend of £0.879m after the use of earmarked reserves of £1.147m for one-off specific projects, with a proposed transfer to reserves of £1.768m.
- 35 The Director's Group had an outturn under spend of £43k which is due to lower than expected training costs and agency costs.
- 36 Economic Growth Skills & Regeneration outturn is £36k above budget.
- An overspend on libraries and adult services due to a short term pressure on staffing budgets. This was handled in year and corrected in the 2013/14 revenue budget .
- This is offset by an underspend on project work and additional income received

37 Highways and Transport Division outturn over spend is £0.599m. This mainly relates to winter maintenance payments including snow clearance and additional spend on pot holes. There have also been overspends on costs of red diesel and rechargeable works.

38 Planning outturn is a £0.457m underspend.
The change is mainly due to reduced expenditure on consultancy costs as less work has been commissioned this year than was originally envisaged. There have also been underspends on salaries and additional income.

39 Environmental Services Division outturn is an underspend of £1.014m.
The main underspend is on Waste Service from the new Residual Waste and Recycling Treatment and Disposal contracts. This is an anticipated underspend, and full year savings are declared in 2013/14 budget. There was a further saving due to reduced amount of green waste disposal costs.
Further underspends in the service are; reduction in cost of leisure contracts, delay in project work ,salary and related savings, delay in traffic management works and additional income.

40 Corporate Services & Corporate Costs

41 The full year budget for the directorate of £43,028m is made up of:

Corporate Services £29,017m

Corporate Costs £13,801m

Contingency & Reserves £0.210m

Overall Corporate Services & Corporate Costs outturn is an overspend of £0.336m after movement to and from earmarked reserves.

42 The key outturn variances identified are:
£0.307m under spend within People & Organisation, People. There is an under spend of £0.282m within HR Strategy due to various staffing savings (£130k), increased HRA recharges for HR activities (£59k) and savings due to bringing the Payroll function in-house (£79k).
An over spend of £100k in HR Operations mainly due to reduced income as a result of the cessation of the Schools HR service. £125k savings in Recruitment and Development is due to less than budgeted training activity in 2012/13.

43 An over spend of £36k within People & Organisation - Legal & Democratic Services. The key variances are a £116k over spend in Legal Services due to increase Children's Services workload.

A £0.184m over spend in Democratic Services largely caused by creation of a provision for Local Land Charges following a legal ruling within the year.

An underspend of £0.138m in Members' Costs due to savings on Special Responsibility Allowances and Superannuation costs. A £92k underspend within Registrars and Coroners mainly due to increased income within the Registrars Service.

44 A £0.458m underspend within People & Organisation, Programme and Performance, largely due to a lower than budgeted allocation to Invest to Save projects.

45 An overspend of £1.127m within Resources, Finance. This is driven by reserve movements relating to Corporate activity.

The key variances are an overspend of £0.853m in Revenues & Benefits, mainly due to the creation of a £0.5m reserve for Housing Benefit Subsidy Audit findings.

An overspend of £0.470m in Financial Control mainly as a result of reduction in Insurance Service Income (£0.27m) and changes in Insurance Reserves and Provisions following actuarial review (£0.234m).

An overspend of £0.147m in Financial Performance & Support due to the cessation of the Bursary Service.

An underspend of £0.146m in Chief Finance Officer due to higher than budgeted recharge to the HRA for general Finance activity (£54k), savings on Professional Services (£62k), Printing & Stationery (£14k) and Subscriptions (£10k).

An underspend of £0.197m in the Audit section due to reduced external audit fees (£0.147m) and staff savings as a result of internal secondments (£0.05m).

46 An underspend of £0.370m within Resources, Information Assets representing savings against superannuation costs, software maintenance contracts and general computer costs.

47 An overspend within Resources, Assets of £0.25m. The key variances include An overspend of £0.151m in Chief Assets Officer mainly due to the costs of using external consultants for the Assets Transformation Programme and interim management support.

An overspend of £0.127m in Facilities Management mainly caused by a settlement agreed with Bedford Borough in respect of a leased property.

An underspend of £0.028m within the Estates section. There was a number of one off savings as well as greater than budgeted income generation, the benefit of which has been almost completely negated by compensation payments being made in reference to a release of tenancy in the Farm Estates.

48 An underspend of £1.083m within Corporate Costs, the impact of non achievable budget efficiencies has been mitigated by significantly lower than budgeted interest payable and Minimum Revenue Provision costs.

49 An overspend of £1.15m in Contingency & Reserves due to the creation of new proposed earmarked reserves (see appendix B).

50 RESERVES POSITION

51 Earmarked Reserves (Appendix B)

52 The opening balance of Earmarked Reserves is £18.5m (Excluding HRA and Schools). The current reported position includes the planned use of £5.2m Earmarked reserves and proposed transfer to Earmarked reserves of £8.1m. This will result in a closing position of £21.4m Earmarked reserves at year end. A net increase of £2.9m year on year.

53 General Reserves

54 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.

2012/13 outturn includes further budgeted contributions of £1.4m to the General Fund Reserve in year, which, in addition to the reported underspend of £0.5m will result in reserves of £12.8m pre audit.

55 **RISKS AND UPSIDES**

56 Not relevant for outturn. A new risk register is being developed for 2013/14.

57. **DEBTORS (Appendix D)**

58 General CBC sales debtors (excluding house sales and grants) for March amounted to £12.6m. higher than February by £3m. Of this movement £2.6m relates to current debt as budget managers strive to ensure that all 2012/13 transactions are brought to account for the year end close.

£5.2m debt was over 60 days; all of which is actively being managed. Of this £3.6m is actively being chased, £0.2m is in dispute, work to resolve these is ongoing. £0.2m have instalment arrangements in place. £0.3m is being dealt with through legal channels. A further £1.4m is in respect of house sales.

59 The largest items of note within the total debt are:

- i) Adult Social Care General Fund debt at the end of 2012/13 stood at £4.8m of which £2.2m was house sales debt, £0.8m Health Service debt. Of the remaining general debt of £1.7m, £0.9m (55%) is more than 60 days old. This includes legacy debt of £0.2m as well as Central Bedfordshire debt. There are 35 debtors whose outstanding balance is greater than £0.010m which are all under active management.
- ii) Total debt for Sustainable Communities at the end of March was £6.868m. Invoices relating to developers' legal contributions to deliver planning requirements associated with new developments account for 82% of debt. 89% of debt is less than three months old. All debt recovery is in accordance with Council policy.
- iii) Total debt for Children's Services is £0.393m of which £0.114m is debt over 61 days old. Individual debts over £10k totals £0.201m of which £0.180m relates to Bedford Borough. All debt is under active management.
- iv) Overall Corporate Services debt has increased by £311k in the month to £1,858k. However of this there is £1,261k which is not yet due. There is currently £287k that is over 90 days old; this represents 15% of the current total debt and this is under active management.

60 **General Fund Debt Written off**

61 The table below shows the number, value and average value of general fund debt written off during 2012/13. This is disclosed in line with our Financial Procedures.

	Number	Value	Ave value
0 - £5k	276	£ 152,152.43	£ 551.28
£5k - £10k	9	£ 58,675.51	£ 6,519.50
£10k - £50k	7	£ 147,918.00	£21,131.14
Over £50k	0	£ -	£ -
	292	£ 358,745.94	£ 1,228.58
Q1	28	£ 42,365.75	£ 1,513.06
Q2	175	£ 213,104.48	£ 1,217.74
Q3	46	£ 73,354.46	£ 1,594.66
Q4	43	£ 29,921.25	£ 695.84
Full Year	292	£ 358,745.94	£ 1,228.58

Of the total amount written off in year, £236,412 relates to the debts of legacy authorities which are fully provided for (no impact on CBC 2012/13 outturn performance).

£122,333 of debt related to CBC activity and is analysed as follows:

	2012/2013	
Category	Number	Value
Commercial Rent	3	£ 29,540.51
Home Care Fees	25	£ 13,342.24
Residential Accommodation	7	£ 24,388.28
Respite Fees	10	£ 10,038.38
Void Inspection	21	£ 17,792.86
Miscellaneous	108	£ 27,231.32
TOTAL	66	£122,333.59

Any individual debts of £50,000 or more are subject to individual reporting to Executive. A rigorous procedure is followed to recover all debts before write off is considered and every write off is subject to appropriate authorisation.

Notwithstanding all efforts, there will always be some cases where further recovery is not possible. For example, of the above amounts, details are as follows:

Commercial rents – includes two cases of £16k and £12k respectively - one

company is insolvent and there is no prospect of recovery, one is subject to continuing court action but a partial write off is prudent as the whole amount is unlikely to be recovered.

Residential accommodation – includes three cases of £9k, £7k and £6k respectively. Two clients have died and no further recovery is possible against the estates. One client was declared bankrupt.

Home care fees / respite care – includes four cases totalling £12k - all deceased and there is no available money in the estates.

62 Treasury Management

63 Borrowing

64 As at 31st March 2013 the Council's total borrowing was £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 £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

The profile of debt is split so that overall the authority has 71% Fixed PWLB debt, 25%, Variable PWLB debt and 4% Fixed Market debt.

With this current portfolio of debt the Council pays an average rate of interest of 2.9% on its loans which is considerably lower than the latest local authority benchmarked average of 4.36%.

The authority total borrowing reduced in the year 2012/13 by £5m following the maturing of a loan in June 2012; no replacement loan was made and internal cash resources were used to repay this debt. Internal funds were used to finance the capital programme in line with the Council's approved treasury management strategy.

65 Investments and deposits

66 When investing the security and liquidity of assets are prioritised before yield. Investments have been kept fairly liquid so that the option to withdraw funds fairly quickly is available at times of stress in the financial markets.

67 As at the 31st March 2013 the Council had deposits and investments totalling £41.4m (£36.7m in internally managed investments, and £4.7m in external

investments). During 2012/13 an average rate of return of 1.24% was achieved, slightly better than the 1.14% average for other benchmarked authorities.

68 Cash Management

69 During 2012/13 the average level of deposits and investments held by the Council was £74.5m, lower than the average of £123.5m held by other benchmarked authorities.

Appendices

Appendix A1 – Council Revenue Summary

Appendix A2 – Directorate Summary

Appendix A3 – Subjective Analysis

Appendix B – Earmarked Reserves

Appendix D – Debtors

Background Papers: (open to public inspection)

None