Meeting:	**Corporate Resources Overview and Scrutiny Committee**
Date:	**22 October 2013**
Subject:	**Q1 Revenue Budget Monitoring Report 2013/14**
Report of:	**Councillor Maurice Jones, Deputy Leader and Executive Member for Corporate Resources**
Summary:	The report provides information on the Q1 revenue projected outturn position for 2013/14.

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 2013/14 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 24th September 2013.

Executive Summary

11. The report sets out the projected financial revenue (General Fund) outturn position for 2013/14 as at Quarter 1.

Explanations for the variances are set out in the report below. This report enables the Committee to consider the overall financial position of the Council and agree any further actions to deliver as a minimum a balanced financial year end.

Overview and Scrutiny:

10. The P3 Revenue Budget Monitoring report will be considered by the Corporate Resources Overview and Scrutiny Committee on 22 October 2013.

Executive Summary

11. The report sets out the projected financial position for 2013/14 based at the end of June 2013. 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 as projected at the end of June 2013.

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

12. In Summary

- The 2013/14 forecast outturn is to overspend by £2.1m.
- The budget includes £2.1m of contingency costs which are forecast to be used at present. If this contingency is released, it fully offsets the forecast overspend.

- To date no specific uses of this contingency have been agreed,
- The Year to Date (YTD) spend is £0.3m below budget.
- Risks and opportunities indicate a further risk to forecast outturn of £1.5m.
- June non current debt excluding House sales and Grants (i.e. debt that is more than 14 days from date of invoice) is £6.1m, which is in line with May.

13. Directorate forecast outturn variances

The full year forecast outturn as at June for directorates after proposed use of and new reserves is a £2.1m overspend. The following are the key areas:

- Social Care Health and Housing £0.4m above budget.
- Children's Services (inc Schools) £2.2m above budget.
- Community Services £0.1m under budget
- Regeneration £0.2m over budget
- Public Health £0.7m below budget
- Improvement & Corporate Services £0.6m over budget.
- Corporate Resources £0.2m below budget
- Corporate Costs and Contingency £0.2m below budget.

14. Directorate risks & opportunities

Risks and Opportunities indicate a further risk to the full year forecast of £1.5m, this is split as follows:.

- Children's Services (inc Schools) risk of £0.7m
- Community Services £0.15m risk
- Improvement & Corporate Services £0.36m risk
- Corporate Resources risk of £0.25m

15. Directorate Year to Date (YTD) variances

YTD spend for 3 months (exc HRA) at £45.5m after proposed use of reserves is below budget by £0.4m. The following are the key areas:

- Social Care Health and Housing £0.3m below budget.
- Children's Services inc Schools £0.4m above budget.
- Community Services £0.2m below budget
- Regeneration on budget.
- Public Health £0.2m below budget
- Improvement & Corporate Services £0.1m above budget
- Corporate Resources £0.1m above budget.
- Corporate Costs and Contingency £0.3m below budget.

DIRECTORATE COMMENTARY

Social Care, Health and Housing

16 The General Fund outturn for the directorate is a projected over spend of £0.4m.

17 The Housing (GF) service is under spent by £0.020m with a full year forecast under spend of £0.040m. Savings are mainly due to staff vacancies within the Prevention, Options and Inclusion service. At this early stage the Local

Welfare provision budget is under spent, with lower than anticipated demand for this service, however it is anticipated that expenditure will increase significantly as the year progresses.

18 The Adult Social Care service is over spent by £0.3m or 1% of the budget. The key reasons for this are a projected overspend in older people care packages of £1.094m due to efficiency shortfalls, a projected overspend of £0.440m in under 65 mental health packages due to volume increases which are offset by projected under spends of £0.580m on reablement, £0.124 m on in-house learning disability services and £0.396m on under 65 physical disability packages.

The quarter one spend extrapolated indicates a full year forecast outturn after reserves of £57.3m - £1.6m lower than the current forecast. This difference is accounted for by the following items:

- New NHS grant not yet spent £0.660m
- New under 65 mental health placements starting from Qtr 2 £0.190m
- Residential block contract uplift subject to negotiation £0.130m
- Reablement – phasing of pay enhancements £0.100m
- Direct Payments – increased costs in Qtrs 2,3 and 4 £0.200m
- Direct services – unaccrued small value items £0.100m

19. Older People care package costs are over spent by £1.094m which is equivalent to 4% of the budget allocation of £26.5m. Within this, there are over spends in Residential, Nursing and Home care partially offset by under spends in Respite care and Direct Payments. The 13/14 efficiency targets for older people and physical disabilities stands at £3.3m and includes reducing the number of admissions to residential care, using reablement and reviewing to ensure the 'right sizing' of care packages and increased funding from continuing health care. This is against a background of increasing demography, people living longer with more complex needs and with increasing numbers of self funders requiring the Council's support.

Residential placement activity is much higher than for the equivalent period last year – 27 additional placements approved - and customer choice is having an adverse impact on the use of block contract beds. Rates of attrition are also lower for the equivalent period.

20. For Learning Disabilities, the service area is over spending by £0.080m on care packages. There are unachieved care package efficiencies of £0.357m overall but this if offset by projected under spends on Supported Living schemes.

21. Within the Older People client service group, the impact of former self funders continues to be tracked. In the first quarter of 2013/14 5 service users in this category have required council support at an estimated full year cost of £0.091m. The customer numbers are less than the equivalent for 2012/13 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.

22. The Commissioning service is under spending by £0.052m after contributions from reserves. This is due to small over and under spends on contracts and

under spends on pay. Full use of the £0.200m set aside for the residential dementia fee uplift is assumed in the forecast.

23. Customer income is under budget by £0.091m against budget within the Business & Performance service area. This relates to a shortfall in telecare income.

24. HRA is subject to a separate report.

Children's Services

25. The full year projected outturn position for 2013/14 as at June 2013 is over budget by £2.162m due to pressures in Fostering and Adoption (£783k), Transport (£497k) and Dedicated Schools Grant (DSG) contributions to central overheads (£848k).

26. There have been 23 new placements in Independent Fostering, 4 Special Guardianship orders and 2 In-house fostering placements, since the beginning of the financial year. This is in line with the increase in Looked After Children.

27. The forecasted average cost in 2013/14 for admissions in Independent Fostering Agencies is £33k, Only one of these admissions has not been forecast to end of the financial year and most are part sibling groups. Three of these admissions are children or babies with disabilities who have higher than average annual costs.

The existing pressure is based on the number of current placements, although it is recognised that this may reduce/increase should families move out or into the area. However the number of children being adopted in Central Bedfordshire is below statistical neighbours and national averages. The rate of adoptions is set to increase as the effect of the adoption grant and other measures to speed up cases coming to Court start to take effect from September.

28. Central Bedfordshire Council has been allocated £555k of The Adoption Reform Grant for 2013-14, and received the first quarter payment of £139k. The purpose of the grant is to provide support to Local Authorities with the implementation of the reforms. The main proposals for the use of the grant are as follows:-

- Pilot a 'fostering for adoption' project.
- Increase legal capacity
- Increase Social Work capacity by 2fte to assess adopters
- Support for Children's life story work.

29. The overspend in Transport is a combination of mainstream transport (£297k) and SEN transport (£200k). This is due to an increase in demand in targeted transport, including travellers and managed moves. The Chiltern School in particular has seen an increase in pupil numbers, which may increase further during the new academic year.

30. The Dedicated Schools Grant (DSG) has in previous years contributed to corporate overheads £1.567m, however, due to the reduction in central School support services, it is not possible to apply DSG at the same level. The guidance on use of DSG is also now more robust and clear as to its use, in

particular to overheads. The process of allocating overheads for the 2013/14 budget has now taken place and has reduced the allowable DSG contribution to £719k, resulting in a £848k pressure for the authority.

31. Not currently forecast are a number of possible risks that could see the budget variance rise over the forthcoming months:-

- £400k Threshold Review, £900k was identified as required and requested at the year end as an Earmarked reserves. However, only £500k was approved, leaving a potential risk for the remaining £400k. The potential risk has been reviewed for June and still exists, however it may be released later in the year.
- £298k Education Services Grant, due to Academy conversions, as the Department reduces the grant receipt each quarter based on the number of pupils in the converting Academy. The rate is set at £116.46 per pupil for mainstream schools and £494.96 special schools. The risk has been calculated based on the expected conversion date for the schools transferring during 2013/14.

32. The Early Intervention Grant which funded £9.77M of core services in 12/13 has now been subsumed into the Revenue Support Grant and is not separately identifiable for 2013/14. The main core services that this funded are as follows:

- Children with Disabilities Short Breaks
- Early Years Workforce Development
- Learning & School Support including Education Psychology, Access & Inclusion and Music Service
- Commissioning for Youth Service
- Early Intervention & Prevention

However, the Children's Services budget did not increase by the full 9.77M in 13/14 due to the national reduction, and for Central Bedfordshire this was reduced by £1.193m. This has been managed in year by a Earmarked reserve but will be a pressure for the MTFP.

Community Services

33. Community Services directorate manages a gross expenditure budget of £40,679k and income budget of £5,083k leaving a net expenditure budget of £35,596k.

34. Community Services overall financial position is projected £117k under budget after the use of earmarked reserves of £829k for one-off specific projects.

35. The Director's Group has projected a break even position.

36. Highways &Transport Division has forecast an overspend of £30k. This largely relates to April winter maintenance payments.

37. Environmental Services Division forecasts to be £147k under spent. This is due to small salary savings in each of the individual services

Regeneration and Business Support

38. Regeneration and Business Support directorate manages a gross expenditure budget of £15,749k and income budget of £6,413k leaving a net expenditure budget of £9,336k.

The overall financial position was £182k over budget after the use of earmarked reserves of £578k for one-off specific projects.

39. Economic Growth Skills & Regeneration has projected an outturn of £138k overspend.

The ASCL service is currently showing a full year overspend of £40k. This service is under going major changes to become an entirely externally funded service, this includes a significant reduction in the overall number of posts and move to a commissioning based model. These changes will over the course of the financial year reduce the over spend.

Customer First is showing £111k overspend.

41. The Planning Division is forecasting an overspend of £57k. This is due to flood defence grant income being distributed differently (Central government change to allocation) and also Customer First.

Public Health

42. The full year projected outturn position for 2013/14 as at June 2013 is a balanced budget. The position for the directorate at outturn is a balanced budget. The forecast is dependent on the receipt of financial information from Bedford Borough Council (BBC) which hosts major demand led budgets on behalf of Central Bedfordshire (CBC).

This is managed through Service Level Agreements and settled on a quarterly basis.

43. The spend in the first quarter is a £181k under spend. The majority of which relates to the unspent reserve that is forecast to be fully utilised.

Corporate Services & Corporate Costs

44. The full year budget for the directorate of £38.951m is made up of:

Corporate Resources £11.879m

Improvement & Corporate Services £16.839m

Corporate Costs £14.729m

Contingency & Reserves (£4.496m)

45. The key outturn variances identified are:

£49k pressure in Improvement & Corporate Services Director due to revenue costs for SAP Optimisation project expected to be higher than the reserve in place to fund it.

46. £589k pressure within Legal Services, due to unbudgeted posts as a result of restructure (£229k), unachievable vacancy factor (£51k), increase Children's Services cases (£247k) and unbudgeted Copyright Licence (£60k).

47. £35k saving in Cross Cutting Efficiencies. There was a £380k saving due to unused superannuation increase budget provision, the benefit of which has been reduced by an unachievable Channel Shift efficiency of £345k from the previous year.

48. £200k underspend on interest payable.

49. £221k underspend within Assets, largely resulting from additional income of £692k from the farms estate, £133k from offices and £97k from the investment portfolio. This is partly offset by pressures of £320k within consultancy costs, £171k within day to day maintenance costs, £100k within property rental costs and £100k pressure against an efficiency within the Capital Team operation.

RESERVES POSITION

Earmarked Reserves (Appendix B)

50. The opening balance (subject to audit) of Earmarked Reserves is £21,434m (Excluding HRA and Schools). The current reported position proposes the planned use of £4.2m Earmarked reserves and proposed transfer to Earmarked reserves of £0.15m (budgeted). This would result in a forecast closing position of £17.35m Earmarked reserves at year end (see Appendix B for details of which reserves have been used).

General Reserves

51. The opening position for 2013/14 is still subject to audit, but expected to be £14.2m. There are no further contributions planned for 2013/14.

RISKS AND UPSIDES (Appendix C)

52. Risks and issues indicate a net risk of £1.5m.

DEBTORS (Appendix D)

53. Total general CBC sales debtors (excluding house sales and grants) for June amounted to £6.1m a reduction of £1.8m on May. Of this £3.5m was over 60 days; all of which is actively being managed.

Of the Over 60 days - £3.1m is actively being chased, work to resolve these is ongoing. £0.2m have instalment arrangements in place. £0.2m is being dealt with through legal channels. A further £1.4m is in respect of house Sales for which we have charges over those assets.

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

i) Adult Social Care debt at the end of Quarter 1 stood at £4.3m (£4.8m end of 2012/13) of which £2.1m was house sales debt and £0.8m Health Service debt. Of the remaining general debt of £1.4m, £0.8m (77%) is more than 60 days old. This includes legacy debt of £0.6m as well as Central Bedfordshire debt. There are 30 debtors whose outstanding balance is greater than £0.010m which are all under active management.

ii) Community Services total debt at the end of June was £308k. About 68% of debt is less than three months old. All debt recovery is in accordance with Council policy

iii) Regeneration total debt at the end of June was £1,806k. Invoices relating to developers legal contributions to deliver planning requirements associated with new developments account for 79% of debt. About 38% of debt is less than three months old. All debt recovery is in accordance with Council policy.

iv) Total debt for Children's Services is £858k of which £121k is debt over 61 days. The debt over £10k totals £740k , of which £338k of relates to Bedford Borough. All debt is under active management.

v) Overall debt has reduced by £232k in the month to £716k. Of this there is £318k which is not yet due representing 44% of the overall debt. There is currently £347k that is over 90 days old; this represents 48% of the current total debt.

55. Debt Write Offs

Q1 Write Offs (Apr - June 2013)

Write Off	**Number**	**Value £**		**Ave Value £**	
0 - £5k	68	£	51,706	£	760
£5k - £10k	1	£	6,990	£	6,990
£10k - £50k	5	£	90,314	£	18,063
> £50k	0	£	-		0
Total	**74**	**£**	**149,010**	**£**	**2,014**
Legacy	**40**	**£**	**56,042**	**£**	**1,401**
CBC Write Offs	**34**	**£**	**92,968**	**£**	**2,734**

Legacy debts are covered by provisions so no impact on CBC financial results in 2013/14.

TREASURY MANAGEMENT

56. Borrowing

57. The Councils total borrowing was reduced by £4.4m over the first quarter, which resulted from the repayment of a naturally maturing fixed term loan.

As at 30th June 2013 the Council total borrowing was £311.1m. Of this amount, £297.6m 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.

58.

	PWLB Fixed £m	PWLB Variable £m	Market (LOBO) £m	Total £m
General Fund	97.0	35.6	13.5	146.1
HRA	120.0	45.0	0.0	165.0
TOTAL	217.0	80.6	13.5	311.2

59. The profile of debt is spilt so that overall the authority has 70% Fixed PWLB debt, 25%, Variable PWLB debt and 4% Fixed Market debt; this is shown in A1 on the Treasury Management Performance Dashboard.

60. Investments and Deposits

61. When investing, the Council's main priorities remain security and liquidity, before yield. To diversify its Investment portfolio the Council is investing in a range of funds such as fixed deposits, call accounts and Money Market Funds as well as using a number of different institutions. B1 of the Treasury management Performance dashboard shows the breakdown of investment by institutions as at 30th June 2013.

62. The Council continues to keep its investment liquid, the two main reasons for this is that firstly it has the option to withdraw funds fairly quickly at times of stress, and secondly so it can use its cash balances to fund the capital expenditure programme.

63. B3 of the dashboard shows the maturity portfolio of the Councils investments.

As at the 30th June 2013, the Council had only £6m of its internal investments, in call accounts and Money Market Funds (MMF) which equates to 9%, (compared to 36% this time last year), the main reason for the reduction is that the actual return payable in these accounts has fallen dramatically (in some cases by more than half) so the Council has made the decision to hold money in notice accounts and varying fixed term deposits so that it has access to money throughout the year, acknowledging the fact that potentially it will have to fund any short term dips in the cashflow by short term borrowing from our brokers. Currently the Council has deposits placed on varying interest rate between 0.58% and 0.9%. and short term money for a couple of weeks is available to the council at around 0.27%, at the time of writing this report.

64. The Council average rate of return on investments to the 30th June 2013 was 1.05% (includes long term investment in the Lime Fund).

Although at the time of writing this report comparable results for quarter 1 benchmark average were not available. B2 of the dashboard shows how the authority favourably compares to other benchmarked authorities between April 2012 and March 2013.

65. Cash Management

66. Daily cash movements have ranged between net payments of £12.5m and net income of £13m, over the first quarter. The monthly gross cash movement of the Council, both inflows and outflows, has varied between £45.5m and £89.6m.

67. Although the amount of cash held by the Council seems high this is typical for all councils, and in fact the average balance the council holds is considerably lower than other benchmarked authorities. The benchmarked average for the Council was £74.5m compared to a benchmark average of £128.9. The Council was internally borrowed by £68m at 31st March 2013

68. The Council's deposits and investments represents cash held for both the HRA and general fund cash, and a large amount of the receipts relate to income/grants which are collected earlier in the year and expenditure follows in later months and in some cases years to follow (e.g. S106 monies may take several years to spend).

69. Outlook

70. The UK Bank Base Rate is not expected to rise until 2015/2016 and 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 this, with the decision to keep investments short term, will have an adverse impact on investment income, but this is being outweighed by the positive impact of keeping the cost of borrowing down.

Appendices

Appendix A1 – Council Revenue Summary

Appendix A2 – Directorate Summary

Appendix A3 – Subjective Analysis

Appendix B – Earmarked Reserves

Appendix C- Risks and Upsides

Appendix D – Debtors

Appendix E – Treasury Management