

CABINET NON KEY DECISION

Subject: Monthly Budget Monitoring Report to 30 September 2012

Cabinet Portfolio: Leader of the Council & Resources

Corporate Lead: Liz Wilkinson, Executive Director - Finance

Senior Responsible Officer: Rob Ingleton, Head of Strategic Finance

Meeting Date: 20th November 2012

Status: Public

Contact: Tina Worthing, Head of Accountancy Services,
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1 Purpose:

- 1.1 This report gives the Council's performance against budget for the period 1st April 2012 to 30th September 2012 and the forecast financial outturn for the year.
- 1.2 The purpose of the Council's Budget Monitoring reporting process is to:
 - a. Promote principles of sound and effective financial management within the Authority; to promote an efficient closure of the Authority's accounts with consistency between in-year and year-end financial reporting; to ensure consistency of reporting towards the Authority's year-end financial position.
 - b. Ensure the Council's Revenue Management Statements are produced regularly on a timely basis throughout the year with the information being reliable, relevant and understandable.
 - c. Ensure the Council manages performance against budget with prompt action being taken when material variances arise or deficits are forecast. The management of these variances being designed to avoid an adverse impact on service delivery or on the achievement of corporate objectives.

2 Recommendation

- 2.1 It is recommended that Cabinet:
 - a) Note the contents of the report, and the attached Revenue & Capital Monitoring Statements.
 - b) Approves the revenue budget transfer (virement) as set out in paragraph 8.2 and detailed in Appendix B.

c) Approves the Capital Programme virement request as set out in Appendix C.

3 Reason for Recommendation:

3.1 To ensure that the overall financial management and financial standing of the Council is subject to effective review, that appropriate management action is initiated to deliver spend within the approved budget and also, to ensure compliance with the Financial Framework.

4 EXECUTIVE SUMMARY

4.1 Revenue Position;

The Council approved a budget of £140.025m for 2012/13. This includes the use of Council Tax Freeze Grant of £2.013m received in 2012/13. The financial statements show the activity for the first six months of the financial year to 30th September 2012. The table in paragraph 4.4 shows service cost projections and indicates an adverse variation of £4.318m for the year end. This allows for the budget pressures as reported to Cabinet in July 2012, of £1.5m for Adults & Children's Services, to be covered from contingency. Annual budgets have also been adjusted to reflect approved virements and other technical adjustments. Service Directors are working towards mitigating these pressures, where they are able to.

4.2 As at the end of September there is a potential variance against budget for corporate items of (£2.995m), it may be possible to apply these to mitigate the projected service provision, and reduce the overall variance to £1.323m. However, these funds may be called on before the end of the financial year to support Council priorities and therefore cannot be guaranteed to be available.

4.3 There has been a favourable movement in the projected overspend from the August Budget Monitor of £138k which is mainly as a result of the work carried out within Adult Social Care, see paragraph 5.5.

4.4 Summary Forecast Outturn for 2012/13 - September 2012

Significant Variances by Principal Service Areas	Adjusted Annual Budget	Forecast Outturn	Forecast Variance
	£000	£000	£000
Finance & Business Improvement	14,015	14,315	300
Adult Social Care	49,345	50,170	825
Children's Services	30,470	32,538	2,068
Law & Governance	122	272	150
Planning & Transport	12,723	13,061	338
Technical Services	15,791	16,181	390
Tourism & Corporate Communication	2,669	2,919	250
Other Services	31,517	31,514	(3)
Projected Service Position	156,652	160,970	4,318
Other Corporate Items	(16,627)	(19,622)	(2,995)
Total	140,025	141,348	1,323

4.5 Work is underway to refresh the Medium Term Financial Plan (MTFP) as detailed elsewhere in the paper and will be presented to Cabinet later this financial year.

4.6 Capital Position

The Council's approved Capital Programme as at 30th September 2012 is £66.698m. Overall capital spend for 1st April 2012 to 30th September 2012 was £16.079m. This is 24.11% of the total approved budget.

4.7 Housing Revenue Account

Following the statutory changes to the HRA which is now under the new Self-Financing model, forecasts for the year show a favourable projected variance of £357k. This is an improved position from the August Budget Monitor of £77k, further details can be found in paragraph 7.

5 SEPTEMBER COUNCIL BUDGET MONITORING

- 5.1 It is important to monitor projected over/(under) spends for the end of the financial year. Service Directors have been charged with providing robust and considered projections with regard to the year-end budget position.
- 5.2 To date monthly monitoring has been reported on a month by month basis of variances rather than from original budget and adjusted budget position. This was refined for the last report and shows adjusted annual budget against forecast for the year.
- 5.3 Attached to this report are the detailed Revenue & Capital Management Statements to 30th September 2012. All forecast variances in excess of £100,000 and other salient variances arising since the budget was approved in February 2012 are set out as below:
- 5.4 **Finance & Business Improvement - £300,000**

As previously reported in the monthly budget monitor the forecast pressure is made up of a number of issues that in part relate to the cost of the client function and the contract. These issues are covered either by mitigation strategies or are historical structural budget issues which will be addressed through the refresh of the MTFP. The latest projection indicates a modest improvement in the year end variation due to various minor favourable changes.

5.5 Adult Social Care - £825,000

At the start of the financial year, based on current spend on care packages, it was anticipated that a £1.7m budget gap would occur this year even allowing for the on-going savings through the Financial Improvement Plan. A detailed review of the service has taken place and a range of activities identified to reduce the pressure previously stated. Service Managers continue to focus on delivering improved efficiencies. This projected outturn takes account of the £1m from contingency approved by Cabinet on 25th July 2012. There has been a reduction in the projected year end forecast variation from August of £375k, which reflects an additional 3 months of vacant posts.

5.6 Children's Services - £2,068,000

Children's Strategic Services are currently forecasting an overspend of £185,000. This forecast is primarily relates to the setting up of Academies which has had the result of the Council having to pay teaching staff premature retirement costs (£80,000). In addition there is an on-going pressure due to increased demand for home to school transport (£76,000). Both of these pressures have been identified within the MTFP.

Children's Social Care are currently forecasting an overspend of £1,883,000. Overall numbers of Looked After Children appear to have reduced recently. It is not yet an established trend and therefore it is not possible to determine with any certainty if this will result in a reduced overspend forecast. This is being carefully monitored.

Extensive work has been carried out on the staffing establishment and this will be reviewed quarterly. The outturn projection is due to the high cost of individual external placements. The projected year end forecast has increased by £171k from August's report due to essential placements being made during September. Work is due to begin on increasing in-house fostering and adoption activity which over time will see a reduction in costs, this activity and associated savings will be part of the core service transformation.

The fundamental budget review of Children's Social Care has recently concluded and formal proposals will be made and incorporated into the refreshed MTFP which should address the underlying budget issues. This will be subject to Cabinet approval and be part of the MTFP being taken to Cabinet later this year.

Two Core Service Transformation programmes across Children's Service are progressing and recommendations will be reported later in the financial year.

5.7 Law & Governance - £150,000

The pressure has mainly arisen due to significant historic income budget pressures for former land charges income. Legislative changes mean the Council is no longer able to generate this income; this matter will be resolved through the refresh of the MTFP.

5.8 Planning & Transport - £338,000

There are significant pressures on Planning fee income, accompanied by an overspend on planning appeals. Planning Application fee rates will rise by 15% but the timing of this change is not confirmed. The structural problems within this budget area will be considered as part of the review of the MTFP. It is anticipated that as the impact of the increase in Planning Application fees take effect that the projected outturn may reduce and this is being monitored.

Within Building Control there is an underachievement of deposit plan fees income. Traffic management is facing overspends on Traffic Regulation Orders, signal maintenance and traffic control

There has been a small increase in the overall projected overspend of £15k which is due mainly due to an increase in accidental damage to street lighting columns.

5.9 Technical Services - £390,000

The service had anticipated that additional costs from service enhancements and contract inflation would be met through savings in waste recycling costs and other operational savings within Technical Services as a whole. Recent changes to certain waste regulation and recycle disposal markets has resulted in additional costs that are likely to result in an overspend. The service is endeavouring to reduce this overspend by further operational cost reductions where possible. The harshness of the winter weather and the level of winter service and road damage will influence the ability to mitigate the additional costs being incurred.

5.10 Tourism & Corporate Communication - £250,000

Continued poor weather has led to difficult trading conditions, and although there was a slight recovery in September, there has been an increase in the forecast year end variation of £20k. Income is significantly down and unlikely to recover enough to achieve a balanced position. Reductions in spend on Repairs & Maintenance and staff costs have already been factored in to the projection, and further work is being done to try and mitigate the loss further.

5.11 Other Corporate Items - (£2,995,000)

The Council included a contingency provision for inflationary pressures established within the approved budget for 2012/13. The balance currently stands at £2.745m and given the increasing pressures on service budgets there may be a need to make contributions from the contingency as the requirements of the organisation change over the next few months. The ongoing position is being kept under close review and further updates will be reported as necessary. The current balance reflects a reduction of £95k against the balance in the August statements due to approved allocations being transferred to Service Budgets during September.

The income budget for interest on investments was increased in the 2012/13 Budget to better reflect the ongoing good performance achieved by the Council on its return on investments over the last few years. Continuing high performance during 2012/13 has resulted in a further positive increase of £250k over and above the agreed Budget.

6. SAVINGS AND EFFICIENCIES

- 6.1 The Chief Executive has initiated a Core Service Transformation (CST) Programme covering all areas of the Council, both direct service provision and strategic support services. Each area for review has been set a range of savings targets. Individual CSTs are required to review services, and the way they are provided. Recommendations will be made with detailed business cases covering the work required to implement them. The business cases demonstrating the anticipated savings with supporting evidence are reported to the Council's Transformation Board in the first instance and considered by Overview & Scrutiny Panels prior to reporting to Cabinet for formal decisions as necessary. Further to the ongoing work to develop budget monitoring and reporting the Section 151 Officer is considering how best to include savings and efficiencies information in the Council's monthly budget monitoring arrangements in future cycles.

7 HOUSING REVENUE ACCOUNT (HRA)

- 7.1 Appendix A presents the Housing Revenue Account for the period 1st April 2012 to the 30th September 2012. The appendix shows a favourable forecast variation for the year of £357k.
- 7.2 The key issues arising since the budget for 2012/13 was approved by Council in February are;
- Reduced Spend - partly due to vacant posts, now filled.
 - Legal costs have not been as high as anticipated
 - Renegotiation of some recharges reducing the charge to the HRA.
 - Increased income in relation to repairs income from leasehold flats not budgeted for.

8. Revenue Virements

- 8.1 A Revenue virement is required if the proposed budget of a service changes. As the overall General Fund budget has to remain in balance, if the budget for one service changes there has to be an equal and opposite change elsewhere in the General Fund. The Financial Framework requires a revenue virement to have Cabinet approval if it affects more than one Portfolio.
- 8.2 In order to meet these requirements the revenue virement below requires Cabinet approval:-

Children's Services

£15,000 **School Travel Advisors**

Transfer for school travel advisors from Community Learning & Commissioning to Planning & Transport to support the development of School Travel Plans; specifically to support the School Travel Advisor post. (see Appendix B for more details).

9 CAPITAL

- 9.1 The Council's approved Capital Programme as at 30th September 2012 is £66.698m. An analysis of the changes from August's Capital Programme is shown in the table below.

Change in Capital Programme	£m
August 2012 Approved Capital Programme Budget	63.871
Amendments approved by Gateway Board/Cabinet	
Purchase & Conversion of Houses of Multiple Occupation	1.408
Solar Panel PV	0.350
Pavilion/Leisure Maintenance Plan 2012/13	0.306
BIC Maintenance Plan 2012/13	0.246
Lower Gardens Kiosks	0.240
Other scheme approvals/changes	0.277
September 2012 Approved Capital Programme Budget	66.698

- 9.2 The actual Capital Programme spend for the period was £16.079m, representing 24.11% of the total approved budget for 2012/13. A summary by Service Unit of approved capital schemes for 2012/13 is included in the attached Revenue & Capital Management Statements.
- 9.3 A mid year update on the performance of the Council's Treasury Management function is reported separately on this Cabinet agenda. In future there will also be quarterly reporting to Audit & Governance Committee which will include:-
- a. An improved review of the Capital Programme
 - b. Reporting on prudential indicators
 - c. Treasury Management performance

10. Capital Exceptions

- 10.1 The attached statements include details of significant budget variances within the Capital Programme. Capital schemes are classed as exceptions where the year to date spend is either 10% above or below the profiled budget for the scheme.
- 10.2 There are also a number of schemes where expenditure has been incurred before the completion of the Capital Gateway Process. Details of these exceptions are set out on page 6 of the attached statements.
- 10.3 The Capital Programme is managed on an ongoing basis, which has caused timing issues between the completion of the Capital Gateway Process and projects starting. This will be reviewed by the Section 151 Officer to promote financial management and accountability within the Authority.

11. Capital Budget Virements

- 11.1 Capital virements are required if:-
- a. The proposed budget of the scheme changes
 - b. The profiled spend of the scheme changes
 - c. The funding for the scheme changes

There is one capital virement, attached at Appendix C, which requires Cabinet approval in order to be added into the Capital Programme.

12. Other Capital Change Requests

- 12.1 In accordance with the Council's Financial Framework all capital changes must be approved by Cabinet, with the exception in specific circumstances relating to Schools, the Local Transport Plan and HRA capital projects which are funded through approved programme budgets. There are no Capital change requests for September.

13. Budget Monitoring Assumptions

- 13.1 Financial reports as set out are produced by Accountancy Services, working in partnership with Mouchel.
- 13.2 Expenditure, income and budgets included are those posted to the Council's financial ledger up to 30th September 2012 and covers the period from 1st April 2012.
- 13.3 The profile of expenditure and income is based on Service Plan estimates as known. All variations to profile have been investigated. Only those items of an exceptional nature or otherwise for member decision are now reported.

14. Proposed Actions

- 14.1 As part of the Section 151 Officer's review of the budget monitoring report, a review of any additional actions will be identified. This review is good practice and will help to promote accountability within the Authority.

15. Consultation

- 15.1 This report and the attached statements have been prepared in consultation with the Service Directors and Executive Directors and on the basis of information provided by them.

16. Equality Impact

- 16.1 Equality and diversity issues are considered as part of the budget and services planning process that support the allocation of Council resources.

17. Environmental Impact

- 17.1 The environmental impact of the budget allocation is considered by Service Directors and Portfolio Holders in preparing their budget and Service Plan proposals.

18. Options & Impacts:

- 18.1 At this stage no other options for the Cabinet are proposed.

19. Summary of Risk Assessment

- 19.1 The effective management of the Council's budgets is a fundamental aspect of good governance. Failure to monitor and take appropriate action over emerging budget pressures will create a major financial and reputation risk. Without addressing these financial pressures the Council will not be able to develop a sustainable Medium Term Financial Plan and will not be able to effectively invest in its service priorities as identified in the Council's Corporate Plan. Strategic risks are updated quarterly. Amendments will be reflected in this report, there are no changes to report from August.

- 19.2 This report and the outlined actions will form part of the mitigation strategy associated with the following risks which appear on the Council's Strategic Risk register:
- a. **Business Continuity & Resilience** - Consideration of future work programmes to improve the robustness of the Council's Business Continuity & Resilience arrangement. Financial implications and a compilation of a risk improvement action plan to track and report on progress against the work programme are in hand. (Ref: SRR007)
 - b. **Management & Use of Information/Data** - A report is in Production on the implications and the potential financial impact to the Council. (Ref: SRR010)
 - c. **Failure to Manage the Finances of the Organisation Effectively** - Production of a risk improvement plan, including proposed controls and full mitigation is currently being produced and will support budget management and the MTFP. This will also include the risk of failing to respond to Central Government regulations and funding regimes. (Ref: SRR012)
 - d. **Welfare Reform** - New Risk on the Risk Register and the impact of the potential outcome of Welfare Reform is currently being forecast. Work is ongoing to model the implications for the Council so that appropriate measures can be implemented to mitigate the risk.(New)

Background papers

- Report to Cabinet 17th October 2012 entitled 'Monthly Budget Monitoring Report to 31 August 2012'.
<http://www.bournemouth.gov.uk/CouncilDemocracy/Councillors/CouncillorCommitteeMeeting/Cabinet/2012/10/17/Agenda/121017-agenda-and-reports-package.pdf>
- Report to Cabinet 25th July 2012 entitled 'Revenue Outturn 2011/12'.
<http://www.bournemouth.gov.uk/CouncilDemocracy/Councillors/CouncillorCommitteeMeeting/Cabinet/2012/07/25/Agenda/120725-Agenda-and-reports-package-for-uploading.pdf>
- Report to Cabinet 15th February 2012 entitled 'Medium Term Financial Plan 2012/13 - 2016/17 and 2012/13 Budget Options'.
<http://www.bournemouth.gov.uk/CouncilDemocracy/Councillors/CouncillorCommitteeMeeting/Cabinet/2012/02/15/Agenda/SpecialCabinet15February2012.pdf>

Appendix A

HOUSING REVENUE ACCOUNT SUMMARY - 1 APRIL 2012 - 30 SEPTEMBER 2012

	Actual	Budget	Variance	Annual Budget
	£000	£000	£000	£000
Income				
Rental Income	(10,158)	(10,193)	35	(20,370)
Repairs Income	(88)	(38)	(50)	(75)
Other Income	(580)	(579)	(1)	(1,158)
Total Income	(10,826)	(10,810)	(16)	(21,603)
Expenditure				
Head of Service	62	61	1	122
Housing Management	1,963	2,118	(155)	4,189
Mouchel Charges	282	282	0	564
Tenants/Leaseholders/IT	144	189	(45)	378
Repairs	1,565	1,574	(9)	3,179
Depreciation	1,998	1,998	0	3,995
Recharges	345	412	(67)	467
Housing Subsidy (adj)	16	0	16	0
HRA Trading Account (Repairs)	(23)	0	(23)	0
Other	48	55	(7)	93
Total Expenditure	6,400	6,689	(289)	12,987
Net (profit)/loss for service	(4,426)	(4,121)	(305)	(8,616)
Appropriations & Other Adjustments	4,256	4,308	(52)	8,616
Net(income)/expenditure for the period	(170)	187	(357)	0



VIREMENT APPROVAL - REVENUE EXPENDITURE

Purpose of Virement

Transfer for School Travel Advisors from Community Learning & Commissioning to Planning & Transport to support the development of School Travel Plans; specifically to support the School Travel Advisor post (15).

Originating Officer (name and position)

Name: Position:

Virement Amount Recurring/Non-Recurring*

Financial Year Virement is to apply to

(If a recurring virement, the first financial year in which the virement should apply)

Virement to be debited to (Financial Code)

(Code Expenditure transferred to or Code income transferred from)

7	7	8	6	1	0	0	/	9	1	9	9	9
							/					

Virement to be credited to (Financial Code)

(Code expenditure transferred from or Code income transferred to)

2	1	3	2	0	3	1	/	4	5	5	9	9
							/					

If a series of budgets need changing please use the continuation sheet below on page 3 inserting rows as required.

Agreed between Budget Holders/Service Directors Affected

Signed	Signed
Neil Goddard	Mike Holmes
Position in Authority:	Position in Authority
Service Director: Community Learning & Commissioning	Service Director: Planning & Transport
Date 17.10.12	Date 17/10/2012

I hereby authorise the above virement to be actioned. (See Notes Page 2)

Signed
 Position in Authority.....
 Date.....

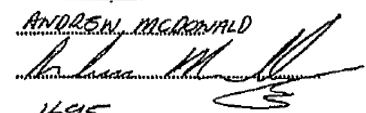
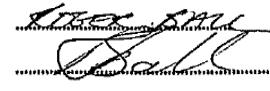
ONCE COMPLETED THIS FORM SHOULD BE FORWARDED TO THE ACCOUNTANCY SUPPORT TEAM OF THE ORIGINATING OFFICER FOR PROCESSING AND FILING.

ACCOUNTANCY SUPPORT TEAM ONLY.

Date Budget Virement Amended

Actioned by

Capital Changes Proforma

PORTFOLIO:	Tourism Leisure & Culture				
SERVICE:	Housing Landlord & Parks				
SCHEME:	Kings Park Nursery Boiler Room Upgrades	Code:			
Reason for Change Request:					
Funding from Councils Energy Efficiency Loan Scheme to improve boiler system and reduce energy costs. Savings from the reduction in energy costs will repay loan in under 5 years.					
	2011/12	2012/13	2013/14	2014/15	TOTALS
	£000	£000	£000	£000	£000
Approved Spend	0	0	0	0	0
Proposed Spend	0	40	0	0	40
Change	0	40	0	0	40
40					
Funding					
please indicate source of funding of CHANGE ONLY					
eg revenue repairs Budget Reserve					
Salix Funding		40 40000			40 40000
					0
		40			0
TOTAL Funding	0	40000	0	0	40,40000
Project Manager	- Name	ANDREW McARDNALL			Check funding
	- Signature				
	- Extension	1695			
	- Date	13 th July 2012.			
Service Director	- Name	STEVE SMITH			
	- Signature				
	- Extension				
	- Date				
Cabinet				
Council				