

Somerset County Council

Paper **F1**

Cabinet

– 1 February 2012

Item No. 10

Revenue Monitoring Report 2011/12 Quarter 3

Cabinet Member: Mr D Huxtable – Cabinet Member, Resources

Division and Local Member: All

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| Report Sign off | Legal | Honor Clarke | 18-01-2012 |
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| | Corporate Director | N/A | N/A |
| | Cabinet Member | Mr D Huxtable | 19-01-2012 |
| Forward Plan Reference: | FP/11/10/09 | | |
| Summary: | The report summarises the outturn position of the Council's Revenue Budget for the 2011/12 financial year, based on Quarter 3 projections. It also sets out a number of consequent issues requiring decisions. | | |
| Recommendations: | <p>The Cabinet is asked:</p> <ol style="list-style-type: none"> 1. To note the contents of this report, specifically the Projected Outturn Position for the year and the current Aged Debt Analysis. 2. To approve the creation of earmarked reserves requested by Environment (1 – 4) and Community (5) in section 4.7. 3. To approve a draw-down from contingency in relation to parking bays for people with disabilities, requested in section 4.8. | | |
| Reasons for recommendations | To maintain effective financial stewardship and budgetary control and to comply with the agreed strategy of regularly informing members of the forecast outturn position relating to the financial year 2011/12 as part of the annual budget monitoring process. | | |

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| Links to Priorities and Impact on Service Plans: | The Medium Term Financial Plan (MTFP) sets the funding for the County Plan and the use of those funds is then monitored throughout the year to ensure delivery of Council objectives and actions. The third quarterly report of 2011/12 indicates how the Council's resources have been used to support the delivery of budgetary decisions. |
| Financial Implications: | A surplus or deficit on the Revenue Budget will impact on the Council's General Balances. The Council's financial position will be constantly reviewed to ensure its continued financial health and delivery of excellent value for money. |
| Equalities Implications: | There are no implications arising directly from this paper. Equalities Impact Assessments (EIAs) were undertaken by the individual services during the budget setting process and will continue to be updated in advance of future budgetary decisions. |
| Risk Assessment: | The Council's General Balances are within acceptable ranges given the size of the budget and taking into account the annual financial risk assessment. However, in common with the rest of the public sector, Members will be aware that the Council faces a financially difficult future that will no doubt put additional pressure on its resources. |
| Scrutiny Recommendation | N/A |

1. Background

- 1.1. This report provides a summarised overview of the outturn position on the Council's Revenue Budget for the 2011/12 financial year, based on Quarter 3 projections. This is the third budget monitoring report to be formally considered by the Cabinet in 2011/12.
- 1.2. The Authority's projected outturn for 2011/12 shows a budget underspend of £10.510m (Table 1 below) when compared to the current Revenue Budget. This represents 3.1% of Service Budgets. This is after accounting for £27.642m of Schools Balances together with savings of £3.697m within Grant funded budgets and Earmarked Reserves.

At this stage of the year Directorates project a budget underspend of £3.966m (including Trading Accounts). However Non-service budgets, which include specific and general contingency sums are currently projecting underspends totalling £6.544m. This produces the total net projected underspend of £10.510m.

- 1.3. Table 1 below summaries the projected outturn positions at Directorate level and the

following sections provide comment on the headline issues. More detailed information on the Directorate under or over spend at Service level and for Trading Units and Non-Service budgets can be provided on request within the Appendices A to F referred to in Section 6 – Background Papers.

| Table 1 – Summary Projected Outturn Position | Current Budget Approvals | 2011/12 Projected Outturn | Ring-Fenced Grant | Variance Under (-) / Overspend | | Previous Variance (Qtr 2) |
|---|---|--|------------------------------|---|---------------|--|
| | £000 | £000 | £000 | £000 | % | £000 |
| Schools & Early Years | 29,751 | 2,109 | - 27,642 | 0 | - | - |
| C&YP | 81,063 | 75,487 | - 3,360 | - 2,216 | - 2.7% | - 1,360 |
| Community | 145,996 | 141,284 | - 337 | - 4,375 | - 3.0% | - 4,013 |
| Environment | 65,071 | 64,802 | 0 | - 269 | 0.1% | 742 |
| Resources | 25,268 | 27,339 | 0 | 2,071 | 8.2% | 484 |
| Traded Services | 0 | 823 | 0 | 823 | - | 726 |
| Directorates Total | 347,149 | 311,844 | - 31,339 | - 3,966 | - 1.1% | - 3,421 |
| Non-Service items | - 13,739 | - 20,283 | 0 | - 6,544 | - 47.6% | - 5,026 |
| SCC Total | 333,410 | 291,561 | - 31,339 | -10,510 | - 3.1% | - 8,447 |

- 1.4. The report also contains information on the current aged debt position by Directorate (Section 5).

2. Options Considered

- 2.1. No formal options appraisal is applicable to this report.

3. Consultations undertaken

- 3.1. The individual directorate content within this report has been considered by Directorate Management Teams prior to submission together with ongoing briefings of Cabinet Lead Members.

4. Implications

4.1. C&YP Directorate: £2.216m Underspend

The outturn variation forecast for the Directorate as at the end of Quarter 3 is for an underspend of £2.216m on SCC controlled budgets and an underspend of £3.360m on the Central Schools Budget. Significant underspends on local authority budgets are due to early achievement of 2012/13 MTFP savings and tight in-year budget management, in order to offset pressures within residential care budgets.

All managers across the service have been aware of the pressures in care budgets due to the increasing number of children in care and the rising costs of care assessment and provision. Managers have identified all possible uncommitted budgets, resulting in an improvement in the overall forecast for the Directorate. As

the end of the financial year approaches, forecast calls on demand-led budgets are replaced by known commitments and this has reduced the forecast overspend. In addition, the analysis of transport costs following changes at the start of the academic year has identified a net underspend of £1.137m, explaining a significant element of the change in forecast. The budget monitoring across the Directorate is confirming full implementation of all MTFP savings planned for the current financial year.

Delayed projects and anticipated transitional costs relating to savings in next year account for £0.486m of the forecast overspend, with a carry forward recommended.

Within the Schools Budget, provision has been made for some key services through to the end of the 2012 summer term in advance of confirmation of national changes to school funding. This will allow for sufficient time for fundamental service reviews through the Compact. This relates mainly to early intervention and preventative provision for vulnerable children (particularly pre-school), and with young people and their families through the work of the Parent and Family Support Advisers.

4.2. Community Directorate: £4.375m Underspend

The Directorate is reporting an underspend of £4.375m following the transfer of £0.337m to the Social Care Capacity Planning Earmarked Reserve, to support service delivery and programmes of change to drive through savings.

As detailed in the previous report, many of our MTFP savings in 2011/12 and 2012/13 are dependant on redesigning services. This aims to reduce costs while still delivering the right outcomes for customers. The overall financial position for 2011/12 reflects that we are implementing the necessary service changes and achieving the savings, and in some areas are managing to get ahead of our original timetable for change. As we move into 2012/13 members should note that savings we are making now are offset by forward year budget savings requirements. Following policy changes taken in advance of this year, the Directorate continues to analyse care demand in order to inform short and long term impacts. Whilst we have continued to see a planned reduction in those entering residential care, we have seen general numbers increasing over the winter period. Members should however note that any new complex packages in relation to Learning or Physical Disabilities would have a significant impact on our forecast position, reducing the underspend.

Within Adult Social Care the projected underspend is £2.384m, The number of those entering Residential/Nursing Care has been maintained in line with an established approach of helping as many users as possible to live at home, thus maintaining their independence. Policy changes (see previous paragraph) have also had an effect this year. Further savings made against Direct Payments and reduced staffing costs have also contributed to an underspend against these services, may of which will be offset by budget reductions in place over the forward years. As part of the pooled budget agreement for Learning Disabilities with NHS Somerset (included within this budget and other services below) a carry forward of £0.337m is requested, which represents their share of the LD underspend.

During the last quarter the service has seen a reduction in occupancy in supported housing and residential services. Whilst fluctuations in volumes are small, the costs

associated with these service users are higher. Overall the projected underspend within the Learning Disability Provider Service is £0.592m.

The service has completed many actions across a number of areas and in particular in relation to Supporting People, Lifestyle Support and Commissioning, all of which are as a result of the three-year savings programme in place, and will be offset by future MTFP savings. An underspend of £1.254m is projected.

The Substance Misuse Pooled budget is currently reporting a forecast underspend of £0.120m. As part of the pooled agreements, this underspend will require carry forward into 2012/13.

Overall the Heritage, Libraries & Business Efficiency service is projecting an underspend of £0.145m. Members will be aware of the issues surrounding the judicial review of the council's decision to restructure the Library Service. Throughout 2011/12 the service managed the reduction of a number mainly back office costs. The service request that the resultant savings of £0.150m be carried forward to 2012/13 to support reinstatement of some services following the JR decision.

4.3. Environment Directorate: £0.269m Underspend

The Directorate has been tasked with attempting to achieve a breakeven position, and has found non-business critical one-off savings or works that can be delayed, in order to balance the overall revenue budget (Cabinet Paper D, 14 December 2011).

Works orders will be reduced on Highways and Traffic Management works (£0.250m) and on Street Lighting revenue maintenance (£0.200m) have produced a total projected underspend of £0.450m.

The previous problems within Transporting Somerset resulting in a projected overspend of £1.999m are well known, and there is still an impact of 5/12ths of the previous academic year to meet. The central government under provision on Concessionary Fares of approximately £1.500m per year can be mitigated, but the consultation period means that this can only benefit SCC in the next financial year. The County Ticket overspend relates to previous rates with operators for the academic year from September 2010, and has been successfully renegotiated from September 2011. Both these should only be issues for this financial year.

Some works have not been commissioned in this financial year (£0.350m) and we will receive a one-off balance from the closure of the Safety Camera Partnership (approximately £0.300m), although some final figures for costs such as dilapidations have not yet been confirmed. Therefore the projected underspend for Physical Regeneration as a whole is £0.650m.

Waste Services are projecting an underspend of £0.412m as a result of forecast volumes. Tonnage figures for November onwards are not yet available. Although the mix of waste arisings continues to vary, the overall budgetary position has remained reasonably constant for the last quarter. Income from Community Sites has remained at a similar level throughout the year.

The directorate Business Development budget is projecting an underspend of

£0.140m based on the assumption that the Corporate Director's post will remain unfilled for the whole financial year.

Within Environmental Management and Regeneration's projected underspend of £0.616m, is an estimated £0.193m of planning grant that has been set aside for the Minerals & Waste Local Development Framework.

Successful debt recovery, legal costs recovered and contract renegotiations, plus some vacancy savings have resulted in a substantial one-off benefit, which is included in the overall financial forecast.

4.4. Resources Directorate: £2.071m Overspend

The overspend of £0.311m on Corporate Legal Costs relates mainly to costs incurred in connection with the letting of the Catering and Cleaning Contract (JD1), the continuing emphasis on debt collection (resulting in referrals to Legal Services) and increasing calls for legal advice in connection with the MTFP and Change Programme. It also includes charges received to date in relation to the Library Service Judicial Review but does not include any estimate for the other party's costs.

The costs incurred by the Change Programme during the year will be met from reserves. An approval to drawdown £0.298m of costs relating to the Design Stage was given by Cabinet in December 2011 and costs of £1.000m are projected that relate to the Implementation Stage.

Property Services are projecting a £0.306m overspend. £0.078m of this figure is due to there being a large number of properties in the Land Management Account at present, £0.159m is due to SMART Office costs (including £0.035m for the abortive fee for East Quay in Bridgwater) and the rest is due to the extension of temporary staff contracts and increase in responsibilities of permanent staff within the Property Client team.

At present the Corporate Repairs and Maintenance budget is projecting an overspend of £0.168m. However an exercise is currently being undertaken to remove all old reactive orders that are no longer required and it is anticipated that this will result in a substantial reduction in the overspend. The overspend also assumes that a number of aged debts will be written off. At the year end any variance against this budget will be transferred to / drawn down from the specific earmarked reserve.

A carry forward of £0.491m was approved to cover costs relating to the renegotiation of the SWOne contract. It is forecast that only £0.150m of this will now be spent in 2011/12. Together with the ongoing costs of renegotiation in 2012/13 and the increased scope of these costs, a further carry forward will be requested for the next financial year. The overall in-year underspend of the Client Team budget is projected as £0.379m.

The projected overspend of £0.454m on the Southwest One Unitary Charge relates to our liability to pay the Fixed Minimum Sum Payment which is the minimum revenue that the council has agreed to spend with Southwest One. This liability reduces over time in line with the contract but has arisen due to the level of spend from SCC to Southwest One reducing significantly. The nature of this payment

mechanism means that SCC is better off overall (a total of £4m saved over 2009/10 and 2010/11) versus the position we would have faced with an entirely 'fixed contract payment' to Southwest One.

There are currently no additional commitments against the SSP underspend carried forward from 2010/11 creating an underspend of £0.100m. In addition LAA Performance Reward Grant costs of £0.091m have been incurred to date and there are known grant commitments of a further £0.111m. These sums will be drawn down from the specific earmarked reserve at the year end.

4.5. Traded Services: £0.823m Deficit

The current economic climate has resulted in fewer learners and a downturn in income in the first 4 months of the current contract year (Aug 2011 – Jul 2012). Somerset Skills & Learning are now forecasting a deficit year end position of £0.067m. A recovery plan is in place which is expected to reduce the negative year end position and other corrective action is also being considered. The service currently has a reserve of £0.053m which is not included in the forecasted year end position. The current position includes expenditure of £0.012m towards the legal costs of outsourcing. Any further outsourcing costs will have an additional negative impact on the in-year budget position.

Dillington House is forecasting an operational trading deficit of £0.200m which includes payment of the annual capital financing charge but does not allow for any repayment towards the previous years overspends. As reported previously to SMB a business review has been undertaken and a recovery plan is in place. Actions required as a result of the business review are in the process of being delivered. One of the measures included in the recovery plan was the introduction of a new pricing structure which, although it has been implemented, it was only with effect from the beginning of September therefore the impact on outturn will be limited.

SCS is projecting a deficit of £0.340m. Within the Catering service further redundancy costs, pension compensation payments and late salary costs and holiday pay adjustments (Aug 2011) have increased the year to date deficit for Catering to £0.273m. The Cleaning service is forecasting a year end deficit of £0.067m.

Overall the three traded services with the C&YP directorate are showing an overspend of £0.215m. This includes anticipated redundancy costs within Somerset Music, and pressures on operating budgets. Forecasts suggest a modest surplus at the Outdoor Education Centres for this year of £0.029m.

4.6. Non-Service: £6,544m Underspend

The projected underspend on the Non-Service budget largely relates to uncommitted specific earmarked reserves and general contingency sums. A budget of £3.000m had been set for redundancy costs and current projections suggest that costs can be contained within that sum. Finally, following a successful audit of the 2010/11 accounts, the projected Audit Fee cost is greatly reduced in line with the external auditors' activities and an underspend of £0.113m is expected.

4.7. Requests for Earmarked Reserves

Financial Regulations require that where services identify the need to create new earmarked reserves in order to account separately for specific funding streams, member approval is required. Accordingly the following are presented for approval:-

1. Broadband

As administering authority, SCC will be holding funds on behalf of local partners, some of whom may wish to pay in advance for the preliminary work that is being undertaking ahead of the contract with the Supplier. The Terms and Conditions of the forthcoming grant offer from BDUK also make it very clear that funds relating to the project must be kept apart from SCC's general funds.

2. Hinkley Point – Decision Phase Funding (DPF)

There is a need under the current Hinkley Point funding arrangements to differentiate between PPA funds, and monies associated with the Decision Phase of the project, for which there are different funding arrangements. (See Member Key Decision).

3. National Grid - Planning Performance Agreement (PPA)

This is a very similar arrangement to the Hinkley Point PPA, where we need to keep income and expenditure relating to the PPA separate from our general reserves for reporting purposes.

4. Hinkley Point Section 106 Agreements

Separate section 106 holding reserves are required for specific section 106 monies relating to (for example) Transporting Somerset and Strategic Planning schemes, to differentiate the balances from those associated with Transport Development.

5. Heritage – Dickinson Papers Cataloguing

A new earmarked reserve is requested against the Heritage service in relation to funding of £0.016m, bequeathed to the authority for cataloguing of the Dickinson papers which will take place in 2012/13.

4.8. Contingency release – parking bays for people with disabilities (£0.015m)

Ahead of Civil Parking Enforcement, there is a one-off need for SCC to complete its current programme of providing parking bays for people with disabilities for the residents of Somerset (approximately 90 applications).

Given the overall budget position within Environment, particularly in relation to the Transporting Somerset overspend and the need to balance the Directorate revenue position overall, there are no un-earmarked funds remaining that can be applied to this need. Whilst an overall budget underspend is projected at this stage the predominantly uncontrollable nature of waste volumes, winter maintenance, flooding and emergency works, and concessionary fares patronage, it is still deemed necessary to draw down a contingency sum to provide funding certainty.

A contingency release of £0.015m is therefore requested.

5. Aged debt analysis

5.1. Services' total outstanding debt relating to external income on the Accounts Receivable system stood at £16.477m on 31 December 2011. However, there is a balance on unassigned cash that reduces the net debt position to £15.701m. Over 84.5% (£13.924m) of the total debt is less than 3 months old, with only 3.8% of the remaining debt being over 12 months old. This is analysed in Table 2 by directorate below.

5.2. Table 2 – Aged debt analysis

| Directorate | 0-3 months | 3-12 months | 12+ months | Total | Unassigned Cash | Total (Net) |
|-------------------------|---------------|--------------|------------|---------------|-----------------|---------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Children & Young People | 6,552 | 299 | 160 | 7,011 | - 110 | 6,901 |
| Community Services | 3,594 | 570 | 124 | 4,288 | - 196 | 4,092 |
| Environment | 1,654 | 1,004 | 151 | 2,809 | - 436 | 2,373 |
| Resources | 2,124 | 51 | 194 | 2,369 | - 34 | 2,335 |
| Total £'000 | 13,924 | 1,924 | 629 | 16,477 | - 776 | 15,701 |
| Total % | 84.5 | 11.7 | 3.8 | 100 | | |

5.3. Aged Debt - Directorate Commentary

Children & Young People Directorate: £6.901m Total Debt

The analysis shows a steady reduction in debt over three months old. As a result of action across the Directorate to focus on large and old debts since the start of the financial year. The very significant increase in new debt relates to the timing of Blue Book service invoices to schools and academies.

Community Directorate: £4.092m Total Debt

Overall debt levels have increased by £1.100m (38%) during Quarter 3. This is as a result of a small number of large monthly invoices being raised to partnership organisations.

Our outstanding debt will continue to fluctuate as a result of the monthly raising and settling of these invoices, and is reflected in the fact that 87% of our debt falls within 0-3 months range.

The value of invoices between 3 and 12 months old has increased by £0.061m (11%) and debt over 12 months old has increased by £0.030m. The Directorate continues to focus attention in particular on those older debts in order to reduce the more aged debt to minimum levels.

Environment Directorate: £2.373m Total Debt

Overall the debt figures have reduced by £0.088m since October (- 3.58%).

The Directorate's debt position still includes over £0.800m of Concessionary Fares payments due from District Councils for the previous financial year. This was raised

at the Somerset Finance Officers Meeting on 5 October, and we have responded to a number of outstanding queries that they have, after which we have asked that these amounts to be paid. Mendip have indicated payment in full will be received in mid December. This will not be a debt issue in the future, as Concessionary Fares is now a County function.

Other debts across the Directorate are mostly with legal services or being directly pursued by the relevant Service Director.

Resources Directorate: £2.335m Total Debt

The increase in Directorate debt this month relates to a small number of large monthly invoices being raised but not yet settled. However, the total debt beyond 3 months old continues to reduce.

6. Background papers

- 6.1.
- Cabinet Report – 2 February 2011 – [2010/11 Revenue Budget Outturn Report](#)
 - County Council – 16 February 2011 – [Robustness & Adequacy Report](#)
 - Key Decision Report - 20 October 2011 - [Hinkley Point PPF](#)
 - Cabinet Report – 14 December 2011 – [2011/12 Q2 Revenue Budget Monitoring Report](#)

In addition, the following Appendices are available on request which provide further detail to the headline issues in sections 4.1 to 4.6 above:

- Appendix A – CYPD
- Appendix B – Community
- Appendix C – Environment
- Appendix D – Resources
- Appendix E – Traded Services
- Appendix F – Non-Service

Note:

For sight of individual background papers please contact the report author(s):

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