

For: (x) <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Executive</td> <td style="width: 20%; text-align: center;"><input checked="" type="checkbox"/></td> </tr> <tr> <td>CLMT</td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> </table> Meeting Date: 4 th March 2013 Report of: Head of Finance Report author: Dave Kempson	Executive	<input checked="" type="checkbox"/>	CLMT	<input type="checkbox"/>	Agenda Item Number. For Executive – private: delete if not appropriate NOT FOR PUBLICATION Exempt information falling within paragraph(s)..... Of part 1 of schedule 12a to the local government act 1972
Executive	<input checked="" type="checkbox"/>				
CLMT	<input type="checkbox"/>				

Subject: Revenue and Capital Monitoring – December 2012 (For Executive Only) Lead Executive Member(s): Councillor Harris Wards Affected: All	Consultations: Councillors <input type="checkbox"/> Scrutiny <input type="checkbox"/> Stakeholders <input type="checkbox"/> Others <input type="checkbox"/>	(x) <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
--	--	---

Recommendations				
i. To note the results of the December 2012 revenue monitoring exercise and consider any action required from the forecast position reported. ii. Note the release and spend approvals required for the 7 capital projects below.				
<u>Dept</u>	<u>Item No</u>	<u>Description</u>	<u>Amount</u>	<u>Funding Source</u>
C&L		Aiming High for Disabled Children	£141,500	Additional Grant
C&L		2 Year Old Entitlement	£576,800	Additional Grant
C&TS	2	Asbestos Management and Removal	£65,900	Reductions on Other Projects
E&R	14	M1 Junction 10a Design & Preliminary Costs	£464,500	Government Grant
H&CL	11	Modernisation of Day Services & Respite	£200,000	RCCO
HRA	12	Marsh Farm Central Area	£100,000	Capital Receipt
HRA	15	Purchase of ex RTB Properties	£100,000	RCCO

Background					
A balanced budget has been set for 2012/13, incorporating budget savings of £16.2m. Regular and thorough monitoring of spend throughout the year is critical to ensuring that a balanced budget is achieved for 12/13 and to identify further early savings, to help meet the increasingly difficult financial challenge resulting from the forthcoming changes to core Local Government funding. The External Auditors have referred to the financial risk the council faces in achieving financial resilience in the later years of the medium term financial plan. Early delivery of savings will therefore strengthen the future financial position and reduce the risk.					
To put this into context, the table below show the cumulative gap between savings identified and the savings required to balance the budget.					
	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Savings required (cumulative)	15,699	33,829	49,023	63,041	76,111
Savings identified (cumulative)	17,808	34,894	43,873	43,934	43,521
Variance (cumulative)	2,109	1,065	(5,150)	(19,107)	(32,590)

The current position
General Fund Revenue Budget Summary 1) This is the ninth monthly monitoring exercise for 2012/13. The results of this month's forecast indicate that the General Fund is currently predicted to underspend by a net £5.501 million, based on income & expenditure patterns to the end of December 2012. £891k of this underspend has provisionally been identified as amounts required to be carried forward to 2013/14. The current position by department is shown at Appendix A and in the table below, with

comparisons to last month's position and the position at Quarter 2. The results of this monitoring will proceed to Executive on 4th March 2013.

<u>Variations to Budget by Department</u>	This Monitoring Forecast £'000	Change Since Last Month £'000	Change since Qtr 2 £'000
Chief Executive's	-1	-1	-1
Children & Learning	-1205	-690	-947
Customer & Transf. Services	1116	126	126
Env. & Regeneration	-987	-22	-22
Housing & Comm. Living	-2473	-92	-643
Central Accounts/Reserves	-1050	-78	-532
Other Corporate Costs	-901	-902	-902
	<u>-5,501</u>	<u>-1,659</u>	<u>-2,921</u>

Departmental Forecasts to Quarter 3

- 2) Chief Executive's (Appendix B) – small underspend of £1k forecast, an increase of £1k compared to Quarter 2

The staff turnover provision has continued to be challenging, as there is little turnover in staff; however managers have made efforts to reduce spend elsewhere this year to ensure that overall the department remains within budget. The small underspend reported relates to this departments proportion of a small reduction in part of the employer's pensions cost payable to the pension fund.

- 3) Children & Learning Non-Schools Budget (Appendix C) – net underspend of £1.205m forecast, an increase of £947k compared to the position reported at Quarter 2.

The main variations accounting for this are:

Underspends

- Early Intervention Grant - £307k has been returned from children's centres relating to excess carry forwards that the centres were holding and are now unable to spend. £215k resulting from a delay in setting up the Stronger Families Initiative. £153k relates to vacant posts as there has been a delay in recruitment. £84k as Payment by Results has not been implemented into Children's Centres this year. £58k relating to Children's Centre Outreach work which has been funded from another source.
- Traded Services – this is expected to exceed income targets by £315k relating to education psychologists, education welfare, governor services, music service, primary/secondary school improvement and SCI team.
- Children's Respite Placements £127k – there are currently 5 children in placement which is a reduction of 3 children from previous years. There is a risk of further children being placed before the end of the financial year but none are currently known. This budget forms part of the Section 75 agreement with Health.
- Schools Redundancy £99k – there has been minimal requirement from the schools due to re-organisation.
- Shared Care Services £82k – being predicted due to the expected number of care packages not being required. Additional budget was identified to fund the expected demand however this has not been required.
- Youth Offending Service Pooled Budget £542k – This consists of £281k contingency budget which has built up over a couple of years and is due to prioritising which of the partners contributions need to be spent up first as carry forward is not permitted. £261k relates to under spends from this year but again relates to prioritising which partner contributions to spend up first. As this is a pooled budget any under spend will need to be carried forward.

- Local Safeguarding Pooled Budget – an £89k under spend is being reported due to Child Death Review and Serious case review budget not being required. As this is a pooled budget any under spend will need to be carried forward.

Overspends

- Looked After Children £547k – This is due to a number of reasons but mainly there has been a net increase of 13 placements in agency fostering which are more expensive than placing children with our own carers which since April has seen a fall of 12 placements
- Special Transport £235k – journeys are now being coded to the correct budget, in the past transport charges have been coded to numerous individual budgets. In addition the inflation factor is not known at the time of budget setting therefore it was set lower than actually needed.
- Children's Legal Services £103k – relating to an increased number of children coming to care, increase in the number of child protection orders and increased usage of counsel which is court ordered.
- Interpretation and Translation charges £70k - children's services has seen an increase in demand for these services.
- Post 16 Learning Difficulties Transports £63k – relating to higher than predicted inflation charges applied by contractors and an additional 4 new routes being provided.
- Special Guardianship Orders £60k – relating to an increase of 5 placements from 47 children in April to 55 in December.

- 4) Commercial and Transformation Services (Appendix D) – A net forecast overspend of £1.116m, an increase of £126k compared to Quarter 2.

Although there are a number of challenging pressures within Customer and Transformation Services the major pressure continues to be that of the Housing Benefit Subsidy Grant position. The expected position on this remains the same as Quarter 2, although there is an overall improvement in the overall divisional figure due to reduced expenditure on staffing costs in Revenues and Benefits. In Fixed Assets there are additional pressures, mainly in the Landlord's Account, but these are being offset in part by increases in rental income. In Procurement, there have been problems in apportioning out the beneficial rates negotiated to reductions in departmental budgets of about £150k. There has been significant work done to reduce agency spend so the shortfall will be offset by savings declared in the individual departments. In addition to this, funding to cover transitional costs and various employee savings have meant that overall, the department is able to largely cover the additional pressures reported. The reallocation of spend on temporary accommodation housing benefit payments above the subsidy cap has been agreed in principle and will reduce the department's overspend when this change is applied.

- 5) Environment & Regeneration (Appendix E) – A forecast underspend of £987k, an increase of £22k compared to Quarter 2.

Of this, the Executive will be requested to approve that £200k is used as a Revenue Contribution to Capital Outlay (RCCO) for the Town Centre Transport Scheme, to satisfy the funding condition for the scheme that Luton Borough Council must provide a direct financial contribution of 5%. This will leave a net underspend of £787k.

There are 9 main variations accounting for this:

- Business & Consumer Services employee costs. An underspend of £200k has been declared, which has arisen due to proposals being developed during the year to enable budget reductions to be made next year. Where posts have become vacant, they have not been filled.
- Parking income – this is expected to exceed target by £100k due to increased income from PCN's, off street parking and residents permits.
- Development Control. Income from application fees is down by £140k primarily because of income from major applications being much lower than expected. To partially offset this, a

managed underspend of £55k in employee costs has been achieved.

- Local Plan. Delays to the programme have resulted in £100k not being spent this year. A request will be made to carry this forward to 2013/14, to ensure that the Plan can be completed.
- Regional Permit Scheme. The implementation of the scheme was delayed until November largely due to delays at the Department for Transport. This has resulted in net income for the year being £65k less than estimated.
- Waste contract. A further underspend of £200k has been reported due to disposal costs being lower than estimated due to slightly lower residual & green waste tonnages and ongoing work with the waste contractor to find markets for differing waste streams such as carpets, mattresses, small WEEE and hard plastics which are now all recycled or re-used. EfW tonnage is lower than hoped due to facility problems.
- Waste consultants. A managed underspend of £80k has been achieved and a request will be made to carry this forward to 2013/14 when it will be required to progress the development of the new waste contract.
- Highways maintenance. The recent spell of exceptionally poor weather has resulted in further significant deterioration to the road network, on top of the existing maintenance backlog. It has therefore been necessary to undertake a further £450k of essential, unavoidable maintenance to provide some mitigation against this backlog and to avoid the problem being compounded further. This expenditure is being contained within the E&R budget, and in accordance with Financial Regulations the Corporate Director has approved the virement of £450k from waste underspends to cover this.

In addition, a number of other areas are reporting smaller variations, some of which are explained in the critical savings and volatile budgets report.

- 6) Housing & Community Living (Appendix F) – a net forecast underspend of £2.473m, an increase of £643k compared to Quarter 2.

The early implementation of projects to reduce costs, including preventive action, restructuring of services and negotiation with providers, has yielded an expected £1,629k saving on net expenditure. However, purchased care budgets are volatile with spending subject to need, and patterns of expenditure may change in the future.

Building & Technical Services £208k increased income – an additional £1m of work is expected from a combination of HRA, Fixed Assets and Circle 33, resulting in extra net income.

Homelessness £400k lower net expenditure, prior to the reallocation of housing benefit payments above the subsidy cap. The reduction relates to the use of purchased accommodation in Bletchley and the refurbished vacant flats in the Purley Centre for homeless families that would otherwise be housed in expensive bed & breakfast

- 7) Savings & Volatile Budgets Monitoring (Appendices H & I)

£16.2 million of savings are committed in to the 12/13 budget. A significant proportion of these were achieved by the start of the financial year, due to the work already undertaken. However, 33 of the savings were deemed to require further action or review over the course of the year and are specifically monitored and reported on each quarter. 19 volatile/demand led service budgets are also specifically monitored to assess their impact.

The Quarter 3 monitoring results indicate that 3 of the savings (3 Amber) and 6 of the volatile budgets (1 Amber, 5 Red) currently have pressures. This is an improvement on the savings position reported at Quarter 2, but a deterioration on the volatile budget areas. The variations shown are reflected in the overall forecast across the general fund accounts in this report.

Recovery plans are in place for most of the areas experiencing pressures and the remainder will be managed within existing budget resources.

- 8) Central Accounts: Capital & Interest etc. – A net forecast underspend of £1.072m, an increase of £667k compared to Quarter 2.

The methodology used for calculating the Council's minimum budgeted debt repayment is

based on an annuity method calculation and therefore takes current interest rates into account. The reduced interest rates combined with the reduced level of capital spend estimated from the latest programme monitoring, has yielded a saving of £454k from the budget originally set for 12/13.

A further £194k of interest earned on investments is expected, due to higher balances continuing to be available to invest and there is also a small underspend of £6k on bank charges.

£13k of funding has been received from Government to assist with new duties required under the Localism Bill: The Community Right to Bid and Community Right to Challenge. The funding has been provided to assist with additional costs that will be incurred if the members of the community make use of the rights introduced under these initiatives. It is recommended that this funding is placed in to the reorganisation reserve, so that it can be called on when required.

- 9) Movements in Specific Reserves – a forecast contribution of £135k to reserves, a £135k increase compared to Quarter 2.
£191k repayment to Invest to Save Reserve, for the advance made in respect of the Aged Debt Collection Team, following the successful reduction in debt levels.
An adjustment of £56k in the use of the Butterfield Share Reserve, to provide a budget for settling a dispute on outstanding service charges.
- 10) Other Corporate Costs affecting all Departments – forecast underspend of £902k, an increase of £902k compared to Qtr 2.
- Recruitment & Retention Allowances – the review of allowances applicable to the current labour market has led to a reduction of £122k in the payments to be made for 12/13.
 - 2011/12 Provision for Staff Severance Costs – An estimated provision for redundancy costs from the restructuring Council services during 2012/13 was made in the 11/12 accounts. Costs expected to be incurred in 2012/13 are lower than the provision made, due to more staff being redeployed in to new positions with the Council than originally forecast. A few reorganisation projects are yet to be completed and an allowance for these will be carried forward to 2013/14 within the provision, but an estimated £260k is likely to be surplus to requirements and will need to be written back to the revenue accounts. The final figure available will change, if further costs relating to 12/13 restructuring are forthcoming before 31/03/13.
 - Energy Costs – The latest review of energy costs across the Council forecasts and underspend in the region of £250k. This is a provisional indication of the final outturn position, with the final quarter's bills covering the winter period yet to be paid. A further forecast will be included in the final monitoring report to Executive for 12/13 on 29th April.
 - Carbon Allowance Payments - From 2011/12, the Council has been required to pay a Carbon Allowance to Government for the CO2 emissions on buildings that fall within the regulations governing the scheme. An estimated budget was provided to cover this cost at the outset, pending clarification of the scheme details and the final emissions totals at the end of year 1. There is a £52k surplus available in the Council's CRC compliance account from the final emissions total in 11/12, compared to the allowances purchased. Total CO2 emissions for 2012/13 are expected to be similar to 11/12 and the price per tonne remains the same as last year. Taking account of the 11/12 surplus and the budget available in 12/13, an underspend in the region of £270k is currently forecast. No significant change is expected in the sites to be included in the scheme for the current year, but this won't be known for certain until the final report becomes due.

Housing Revenue Account (Appendix G)

- 11) Forecast underspend of £163k, an increase of £148k compared to Quarter 2.

Staffing costs on HRA management are forecast to be £390k below budget, including savings of £129k on management of sheltered accommodation and the alarm console and £130k on management of HRA repairs.

Work on stock condition surveys and other maintenance management projects has been undertaken in-house rather than sub-contracted, giving an underspend in 2012/13 of £120k.

Additional income from tenant service charges of £192k, revised following a review of amounts collected in line with 2011/12 outturn.

A downward adjustment for £178k for income from leaseholders for repairs work, as actual costs chargeable are lower than expected.

Additional cost of £750k of revenue funds transferred to the capital programme to finance the purchase of former HRA dwellings and the construction of four new bungalows by the council. Extra income of £80k from interest on cash balances (represented by unspent reserves) held by the council on behalf of the HRA.

The provision against bad debts for the year has been reduced from £500k to £300k to reflect the current level of arrears. The Government's welfare reforms have not affected tenants as soon as was expected.

Reduced cost of communal lighting £70k, with a new contract at lower cost now fully in place.

Schools Budget (memo item)

- 12) DSG Central Expenditure – A net forecast underspend of £1.254m, an increase of £554k compared to Quarter 2

Non-delegated special £216k, Non-delegated secondary £265k, Non-delegated primary £397k and special recoupment £241k.

Individual School budgets

Schools were asked to complete Quarter 3 forecast outturn statements by the middle of January. All schools with the exception of one were able to meet this deadline. Schools are forecasting a fall in balances from their current levels of £15m to £13m this year. A more likely scenario is a small increase in balances, given the uncertainty of future funding for schools. It should be noted that two more schools (Whipperley Infant and Chantry Primary) have converted to academy status and their surpluses have been paid over to the academy and will no longer form part of the Council's school reserves figure.

Schools in Deficit - Recovery plans in place

There is 1 school, Putteridge High School, which has an agreed licensed deficit budget plan. The school's budget is the subject of rigorous monthly monitoring by the Finance Manager, Children & Learning and he is attending each finance governing body meeting. Currently the school is on track to meet the terms of the licensed deficit plan in 2012/13.

Shadow Public Health Budget (memo item 12/13)

- 13) No change from the position reported at Quarter 2, with a balanced shadow budget forecast.

Capital Programme Monitoring

General Fund Projects

- 14) The 3rd Quarter's capital monitoring summary is shown at Appendix J followed by each department's individual statement (Appendices K to O).

Total forecast spend variations for the General Fund this quarter are:

Projects Rephased	-£8.3 million
Projects Advanced	£2.0 million
Increased Cost	£0.6 million
New Projects	£0.6 million
Reduced Cost	<u>-£2.1 million</u>
Net Reduction in Spend	<u>-£1.1 million</u>

There are 7 projects requiring release and spend approval when the report proceeds to the Executive, as detailed in the draft recommendations above.

15) Children & Learning (Appendix K) – A net reduction in forecast capital spend of £0.478 million for Qtr 3 (see below)

- Due to a delay in approval of central funding for the Kitchen and Dining Facilities at Cardinal Newman the project is now predicting £75k underspend
- An underspend of £300k on LA Capital Maintenance is due to projects within schools being delayed until Easter.
- Retention monies are being carried over to future years relating to Challney Girls Access Road £31.1k.
- The underspend of £225k on Academies – Purchase of Land at Rotheram Avenue is due to payment dates being confirmed and these are in stages.
- The £555k reduction on PRU Move from Avenue and Orchard to Barnfield Site has been spent within Basic Need and will be picked up shortly in review.
- There is an £800k underspend on Devolved Formula Capital which relates to school driven initiatives, this information has not been available to date and will aim in future to identify works, but restructuring and reduced resources make it difficult.
- A reduction of £50.6k on the BSF projects at Barnfield South and West. This relates to contingencies held for completion of Youth and Community spaces and retention monies held over.
- A reduction of £237.3k on the Development of Putteridge Playing Fields has been delayed due to the proposed conversion of Putteridge High School to an Academy.
- The additional spend of £186.7k relating to Section 106 monies is due to ensuring that monies are spent in line with timescales applied. Relevant projects have been identified and expenditure transferred.

16) Commercial & Transformation Services (Appendix L) – a net forecast reduction of £0.998 million

As part of a general review of the Capital Programme there have been reductions to various projects reflecting spend patterns and reducing slippage from previous years not yet committed totalling £799.8k. In addition, one project has been re-phased reducing the current year spend by a further £200k

17) Environment & Regeneration (Appendix M) – a net forecast reduction of £5.630 million.

This is made up as follows:

- i) Rephasing of £6,734.2k on the Luton Dunstable Busway (item 5). The bad weather has delayed progress with the project which has reduced the amount that will be paid by the year end, but not the overall budget for the scheme. In addition, claims from the contractor are being challenged and the NEC Project Manager has assessed that the full amount is not due to the contractor which has also resulted in the estimated out-turn at year end reducing,
- ii) additional spend of £964.5k on the Town Centre Transport Scheme (item 4). This relates to costs required to facilitate the move of a local company to safeguard jobs in the town and to ensure that the project can meet all key deadlines. Subject to the DfT giving the project full approval, these costs will be reclaimed from DfT.
- iii) additional spend of £464.5k on M1 junction 10a (item 14). The project design and statutory procedures have been brought forward to ensure that construction can start as soon as possible after the full approval is received.

18) Housing & Community Living (Appendix N) – a net forecast reduction of £0.125 million

The budgeted expenditure for caravan site improvements and grants to housing associations has been rephased to future years.

Reprovision of Bramingham Day Centre (£750k) – £4.56m has been set aside to meet the cost of alternative Learning Disability day care provision to that currently provided through the Bramingham Centre. The final shape and cost of reprovision has not been finalised.

Release and spend approval required in relation to Modernisation of Day Services & Respite totalling £200k for future years which is to be funded from current year RCCO.

Housing Revenue Account Projects

19) Housing Revenue Account (Appendix O) – a net forecast increase in expenditure of £1.2 million.

£1.4m of the planned programme for 2012/13 has been rephrased to future years. The main elements of this are the refurbishment of Cornish units (£550k) and the Park Town Heating programme (£500k), which will now be completed in 2013/14.

Release and spend approvals are required in relation to Marsh Farm Central area - £100k additional cost to be met from sale of Unicorn public house, and

Purchase of Ex RTB properties - £100k to be met from Revenue contributions from HRA Reserves.

Goals and Objectives

To notify the latest forecast position for the 2012/13 revenue and capital budgets.

Proposal

To note the report

Key Risks

Revenue

Delivering the savings built in to the budget, the ongoing effect of underlying cost pressures on the medium term finances and the continued reduction in grant support, including the fundamental change in funding mechanisms from 2013/14.

Capital

Future funding reductions, especially where projects have been started or committed to.
Adverse weather affecting delivery of projects (including Major Schemes).

Consultations

None

Appendices attached:

Appendices B - Revenue Monitoring Summary
Appendices C to J – Departmental Revenue Statements
Appendix K – Capital Monitoring Summary
Appendices L to P – Departmental Capital Statements

Background Papers: