



CABINET

11 JUNE 2013

SECTION 151 OFFICER: MATT BOWMER

**CABINET MEMBER WITH RESPONSIBILITY FOR FINANCE, PERFORMANCE
AND LGSS: COUNCILLOR BILL PARKER**

Subject:	Final Outturn Report for the financial year ending 31 March 2013.
Recommendations:	Cabinet notes the Council's reported financial position at the end of 2012-13 and considers the implications in the context of its overall financial strategy. Cabinet notes the Council's level of savings delivered over the past four years, alongside the associated beneficial outturn positions.

1. Purpose of Report

- 1.1 This report is to advise Cabinet of the Council's revenue position against the budget as at the end of 2012-13. These figures are subject to scrutiny by the Council's external auditors and as such, will not be finalised until the completion of their audit of the Statement of Accounts in September 2013.

2. Relevant Priority Outcomes

- 2.1 The content of this report supports the delivery of the following corporate outcomes:

Perspective	Outcome
Finance – to finance our vision, what must we do efficiently, effectively and economically?	<ul style="list-style-type: none">• Maximised income and new funding mechanisms• Exploited fixed assets• Targeted spend and investments• Sustainable social resourcing

3. Background

- 3.1 This report is based on information available for the full year to 31 March 2013. It summarises the final variances between approved budgets and actual expenditure at Directorate level and below.
- 3.2 Further adjustments may be necessary and the figures shown within the report are not definitive until the Statement of Accounts is signed off by external auditors at the end of September. Any material changes arising from external audit work which impact on general reserves will be reported back to the Audit Committee and to Cabinet.

- 3.3 The gross revenue budget set by the County Council on 23 February 2012 was £1,054.3m, with a net revenue budget requirement of £404.6m.

	£m
Gross Revenue Spend 2012-13	1,054.3
<i>Less income:</i>	
Dedicated Schools Grant	-453.7
Centrally Held Non-Ringfenced Government Grants	-49.5
Other Government Grants	-79.8
Fees and Charges	-26.6
Assessed Client Contributions	-25.8
Other Income and Contributions	-14.3
Total Net Budget Requirement	404.6
Funded By:	
External Government Formula Grant	160.5
Collection fund surplus	1.3
Council Tax (net of collection fund)	242.8
Total Funding	404.6

- 3.4 The table below shows the level of savings that the Council has made in each of the last four years, along with the outturn positions.

Year	Savings in Budget £000	Out Performance £000
2009-10	26,000	(114)
2010-11	21,400	(436)
2011-12	69,300	(523)
2012-13	27,600	(611)
Total	144,300	(1,684)

- 3.5 This shows the substantial challenges that have been addressed over this period, whilst providing a beneficial year end position. It also demonstrates the strength of the Council's financial management arrangements in relation to forecasting, and the successful collaborative approach between the Corporate Management Team and Cabinet.
- 3.6 In addition to the challenges delivering the planned budget savings, as is common across local government currently, there are also new and emerging pressures.
- 3.7 The final outturn presented demonstrates the successful delivery of the budget for 2012-13 and the £27.6m of savings within it, as well as the new and emerging pressures.

4. Consultation and Scrutiny

- 4.1 This report has been produced in consultation with corporate directors, assistant directors and budget managers. The report will also be subjected to scrutiny through the Finance Improvement and Performance Working Group.
- 4.2 The Monthly Financial Reports pull together the full financial picture of delivery against the budget for 2012-13 including both a review of the delivery of the budget proposals constituting the £27.6m of required savings, plus any new pressures arising within the year.
- 4.3 In order to facilitate this reporting, the Budget Delivery Board, consisting of both members and officers, has been set up to review the monitoring of the delivery of individual savings proposals, alongside the usual monthly monitoring channels.

5. 2012-13 Summary Outturn Position

- 5.1 The final revenue spending on services is summarised in the table below, inclusive of expenditure funded by Dedicated Schools Grant (DSG), by Directorates, and the reported variances against the respective services.

Directorate	Gross Expenditure Budget £k	Income Budget £k	Net Budget £k	Outturn £k	Reported Variance £k
Adult and Children's Services	248,854	(49,088)	199,766	202,259	2,493
Customers, Communities and Learning	188,238	(105,855)	82,383	81,839	(544)
Environment, Development and Transport	109,975	(18,132)	91,843	91,802	(41)
Chief Executive	7,622	(267)	7,355	6,841	(514)
Corporate	40,206	(1,646)	38,560	37,194	(1,366)
LGSS Managed	26,532	(1,609)	24,923	24,284	(639)
Total Service Expenditure	621,427	(176,597)	444,830	444,219	(611)
Major Grants and Contributions	0	(49,452)	(49,452)	(49,452)	0
Total Net Expenditure	621,427	(226,049)	395,378	394,767	(611)
LGSS	19,108	(4,395)	14,713		
Schools	438,773	(444,265)	(5,492)		
Total Expenditure	1,079,308	(674,709)	404,599		

- 5.2 The final position shows that the Council is now reporting an overall underspend of £611k (0.15% of the net service expenditure) for the full financial year. The reasons for any movements within individual Directorates and services are explained within Sections 6 – 11 of the report.
- 5.3 The sections below summarise the overall variances within each Directorate.

6. Adult and Children's Services (Appendix A1)

Reported Outturn Position: £2.493m overspend

6.1 The Adults and Children's service had a saving target of £10m for 2012-13 and £5.7m of these were assessed as high risk. The Directorate has faced significant challenges in order to mitigate the in-year demand pressures and to deliver the majority of the saving targets during 2012-13. Despite these challenges the service has managed to significantly reduce the pressures to £2.493m.

6.2 Key Activity Data

6.2.1 The tables below and over the page show the number of adult customers who received care throughout different times in the year.

Client Group & Care Provision	No of Annual Customers Anticipated at April 12	No of actual customers 2012-13	Average Cost of Care (£/week)	Annual Budget (£000)	Annual Cost of Care (£000)	Variance (£000)
Residential Care						
Older People Residential & Nursing	1,672	1,544	406	35,563	34,731	-832
Younger Adults/Physical Disability Residential	117	110	712	3,956	4,330	374
Learning Disability Residential	381	370	953	20,071	19,147	-924
Transitions Residential	27	38	1,911	2,113	2,768	655
Residential Care Total	2,197	2,062		61,703	60,976	-727
Community Care						
Older People Community Care Payments	1,950	1,860	149	12,435	12,387	-48
Younger Adults Community Care Payments	710	773	213	7,416	7,339	-77
Learning Disability Community Care Payments	666	855	343	22,527	23,091	564
Transitions Community Care Payments	524	301	409	6,569	6,337	-232
Community Care Total	3,850	3,789		48,947	49,154	207
Grand Total	6,047	5,851		110,650	110,130	-520

The total £0.5m favourable variance forms part of the overall position for Adults and Childrens Directorate.

6.2.2 The table below shows the number of children's placements and their associated costs for the year.

Service Type	Estimated No of placements at April 12 for the Year	Actual placements for the year	Weighted Average Cost (£/Week)	Annual Budget £k	Actual cost of placements £k	Variance £k
Independent Fostering	192	181	783	8,268	7,488	-780
Agency Residential	12	35	3,235	2,219	4,495	2,276
Joint Funded	9	9	1,458	840	971	131
Supported Accommodation	58	46	854	1,850	1,796	-54
Secure Agency – Remand	3	1	5,218	314	185	-129
Secure Agency – Welfare	1	0	5,642	294	57	-237
In-House Fostering	314	378	374	6,859	6,585	-274
Unaccompanied Asylum Seeking Children UASC	63	73	33	391	64	-327
In-House Residential	22	18	2,113	1,921	1,978	57
Children with Disabilities Agency	27	26	1,326	2,315	2,180	-135
Grand Total	701	767		25,271	25,799	528

6.2.3 The figures above do not represent entirely the looked after children population for Northamptonshire. A small number of placements are for children who are not looked after but for whom the Council has a statutory duty and a financial commitment as care leavers or because they are disabled. The figures also do not include children subject to care orders who are 'placed with parents' and children placed for adoption as there are no financial considerations for these children.

6.3 Adults and Children's Commissioning

6.3.1 The final position for Adult's and Children's commissioning is an under spend of £0.68m. This comprises various over and under spends across this division. There has been £0.7m under spend resulted from a number of vacancy savings across staff budgets and a saving of £0.5m within Business Support resulted from reduced in year commitment of Pension strain payments. This pension strain saving has been reflected in the 2013-14 budget. In addition £0.2m of savings have been realised against the Learning Disability Residential and Nursing Block contracts through the transfer of contract activity from residential services to supported accommodation.

6.3.2 The above under spends have been partly off set by a pressure of £0.5m resulted from the residual net commitments relating to previous In House Adults services and £0.3m pressure on assessed care client contribution income budget, driven by an increased level of over due debt and the requirement to increase the bad debt provision. An improved debt collection process is being implemented to reduce the level of overdue debt in the future.

6.4 **Adults and Transitions**

- 6.4.1 In April 2012 the service identified an initial risk of £1.4m due to the difficulty in reducing the unit cost of care within the younger adults' disability area. This related to budgeted efficiency target of £1.8m in this area. Although savings were delivered in the commissioning activity, the service mitigated some of this pressure through ongoing scrutiny around individual packages of care and the drive towards personal budgets.
- 6.4.2 Continued focus on delivering savings by this division resulted with an under spend of £0.57m by the end of the year. This is partly due to lower than budgeted care activity levels within the Older People Residential & Nursing client group resulted in a £0.83m under spend. The activity trend experienced during this year will be factored into the Medium Term Planning demographic assumptions. The year end position across Younger Adults residential care budgets was a net pressure of £0.1m mainly resulted from the difficulty in reducing the average unit cost of care. Re-alignment of budgets between Learning Disability, Physical Disability and Transition client groups has been carried out to reflect the latest activity levels for the new financial year.

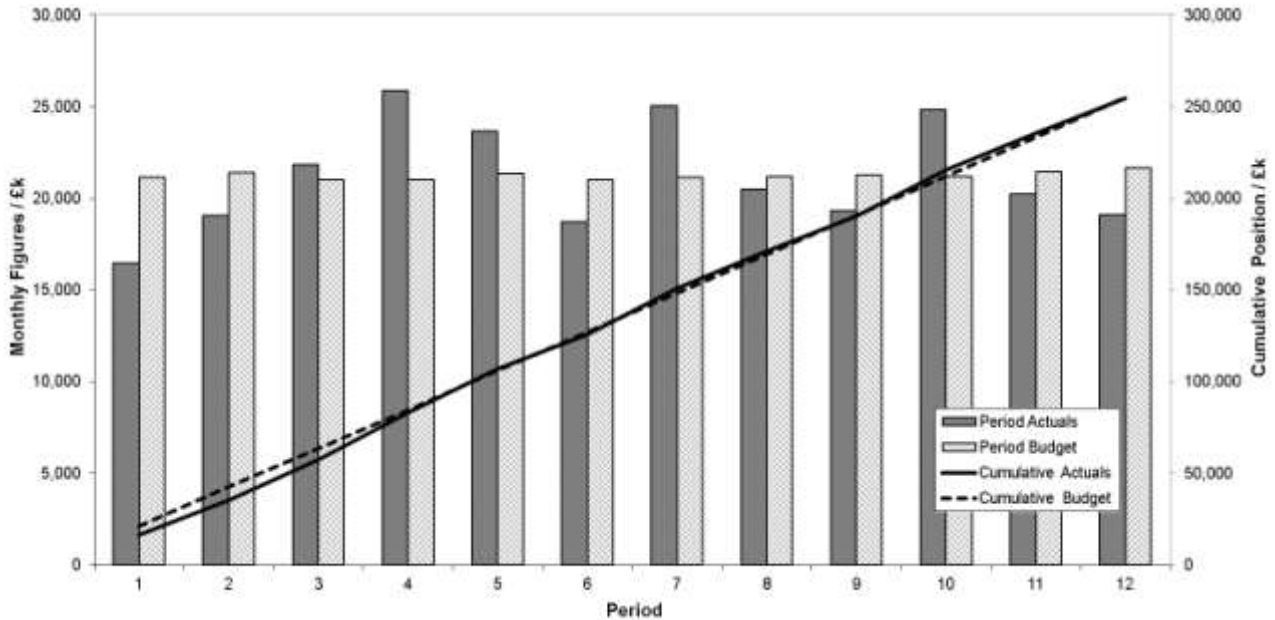
6.5 **Safeguarding and Children's Services**

- 6.5.1 The Care Provision outturn variance for 2012-13 is £0.284m overspend. Within this there has been an inherent pressure from the prior year within the mainstream Children's agency placement budget due to higher than budgeted for placements at the end of last financial year. This alongside an in year pressure from higher than anticipated net starters in agency residential placements in the first quarter has meant a full year pressure of £1.9m.
- 6.5.2 This has been mitigated through a thorough review of agency placement annual commitments, implementation of robust control around new placements and movement of children between placements and a dedicated team looking at moving higher cost agency residential placements into lower cost provision. Furthermore, the UASC service have improved financial data and processes meaning receipt of a higher amount of valid grant income compared to previous years and therefore an underspend on this budget.
- 6.5.3 There has also been an overspend on demand led transport related expenditure for providing passenger transport services for social care and health clients.
- 6.5.4 The Care Management overspend for 2012-13 is £2.3m. The Children's Services Improvement Programme is a co-ordination of various activities with a social care focus to ensure a joined up Council approach to delivering change. In order to deliver the target improvements, the service has recruited agency and interim staff to verified vacant posts to contribute towards the front line care management staff requirement to ensure an effective and safe service.
- 6.5.5 The Legal outturn overspend is £1.3m. This variance is due to pressures in relation to legal advice and court proceedings. This is alongside an inherent pressure of approximately £1m after the 2010-11 budget reductions relating to a previously undeliverable MTFP saving (there is an MTFP proposal to put this back in 2013-14).

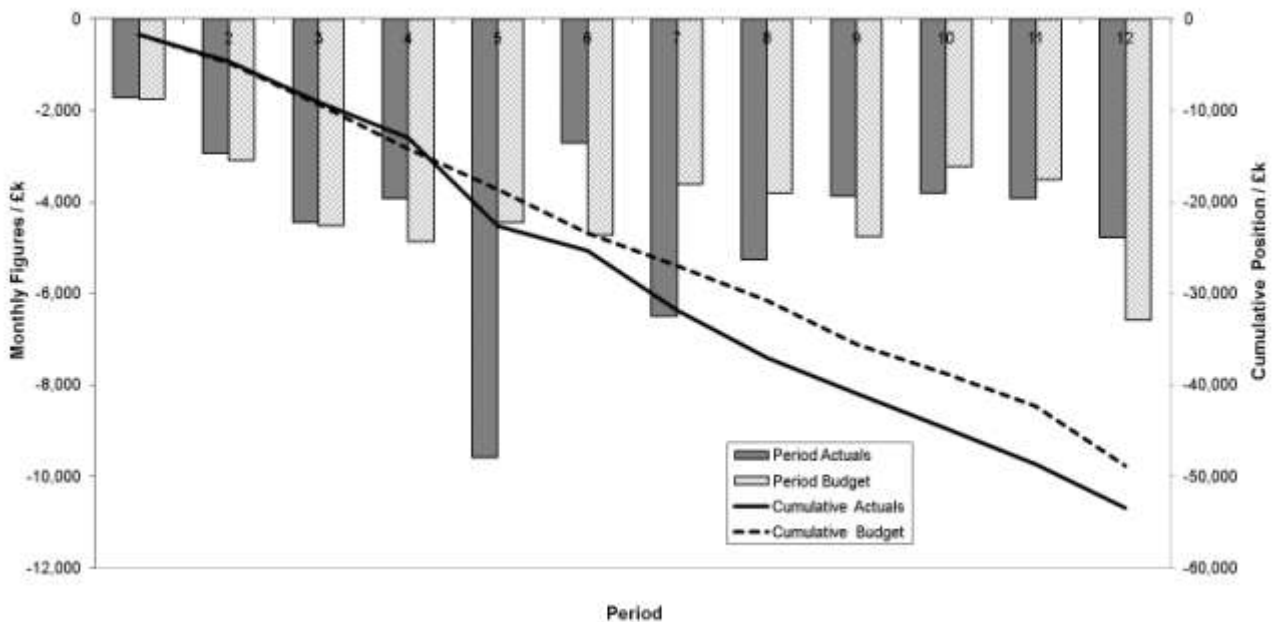
6.6 Year to Date Actuals to Budget

6.6.1 The charts below show gross expenditure and income against the original budget profiles for the year on a month by month basis on the left hand axis and cumulatively on the right hand axis.

Gross Expenditure



Income



6.6.2 Points to note from the above graphs include:

- The variations to profiled expenditure budget principally relate to payments for independent sector care providers for adults and some care payments within children services. These payments fall outside of the Council's purchase to pay system and are subject to various billing cycles and various patterns of provider invoicing.

- The variations to profiled income budget are mainly due to the timing of receipt of client contributions.

7. Customers, Communities and Learning (Appendix A2)

Reported Outturn Position: £0.544m underspend

- 7.1 The outturn position for the Directorate is an underspend of £0.544m. Throughout 2012-13 the directorate reviewed and challenged expenditure plans and projects to ensure the Directorate's budget could be delivered.
- 7.2 At the end of February 2012 Customers, Communities and Learning (CCL) reported an underspend of £0.29m. As part of the financial position previously reported £4.2m has been set aside for use in 2013-14 to alleviate the predicted pressures within Children's Services, schools in financial difficulties and the potential risk to the value of the Education Services Grant of schools converting to academy status. This was agreed by Cabinet at the April 2013 meeting.
- 7.3 As part of the final outturn position it is proposed that a further £1.79m is set aside to alleviate the potential 2013-14 pressures outlined in 7.2. The table below outlines how the Directorate underspends have been earmarked.

Reserves / Provisions	£000
Demand Management (Childrens Services)	3,313
Education Services Grant Reserve	1,696
Schools in Financial Difficulties Provision	988
Total	5,997

7.4 Customer Services

- 7.4.1 The Customer Services end of year position is an underspend of £0.122m. This has been achieved mainly through the Registration Service generating income of around £0.2m more than was expected through offering improved web based services and a higher than expected number of ceremonies.
- 7.4.2 Funding has also been used to support pressures for the Royal & Derngate theatre and also the Chester House Farm remedial works where a further revenue contribution was required to balance the books.

7.5 Community Services

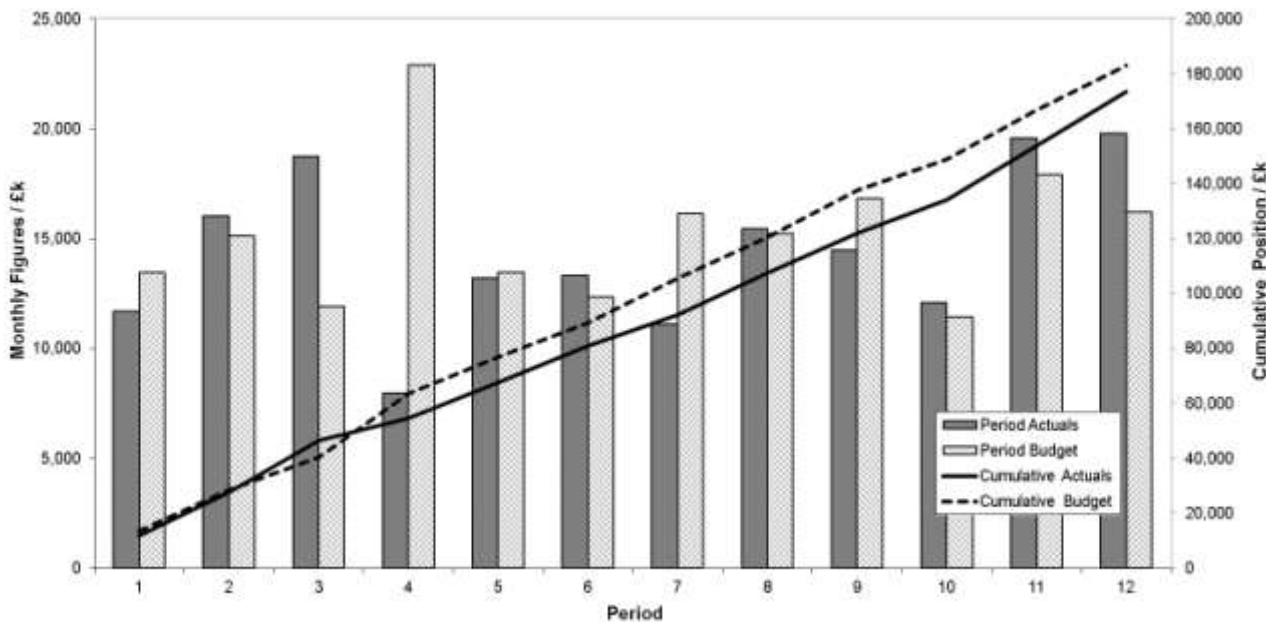
- 7.5.1 The Community Services year end position is an underspend of £2.126m.
- 7.5.2 The Early Years service has contributed to in year directorate pressures through savings in the delivery of the 2 year old and 3/4 year old free entitlement provision.
- 7.5.3 A delay in the release from Central Government of the Online Eligibility checker for 2 Year olds has led to a slower than expected take up of places.
- 7.5.4 Although there was an increase in take up of 3/4 year old free entitlement places for the Spring term this did not result in an increase in costs due to term dates moving and how many term days fell in the financial year.
- 7.5.5 Also savings were released as a result of DSG reforms in the funding of Early Years provision.

- 7.5.6 The Troubled Families grant received in 2012-13 is not ringfenced, however it has been set aside to support the delivery of the Troubled Families programme over the next 2 years as previously agreed by Cabinet. The ongoing assumption is that any future in year savings will continue to be used to fund further work with troubled families.
 - 7.5.7 Community Services has been through major changes over the last 12 months seeing the realignment and refinement of many budgets. This has released funding as a one off contribution to in year and potential 2013-14 pressures across the directorate.
- 7.6 Learning, Skills and Education**
- 7.6.1 The Learning, Skills and Education overspend at year end is £1.682m.
 - 7.6.2 School Meals Services reported an overspend of nearly £3m in June which was caused mainly by escalating food and staff costs (agency and overtime). During the year this has been managed and at the end of the year the overspend has been reduced to £1.5m with the aid of a further contribution from the DSG, tighter control on spending and improved reporting.
 - 7.6.3 Further savings can be attributed to the re-design of services which has led to a reduction in staff costs. Also Out of County third party payments have reduced with the main contributory factor being fewer pupils accessing independent arrangements in 2012-13.

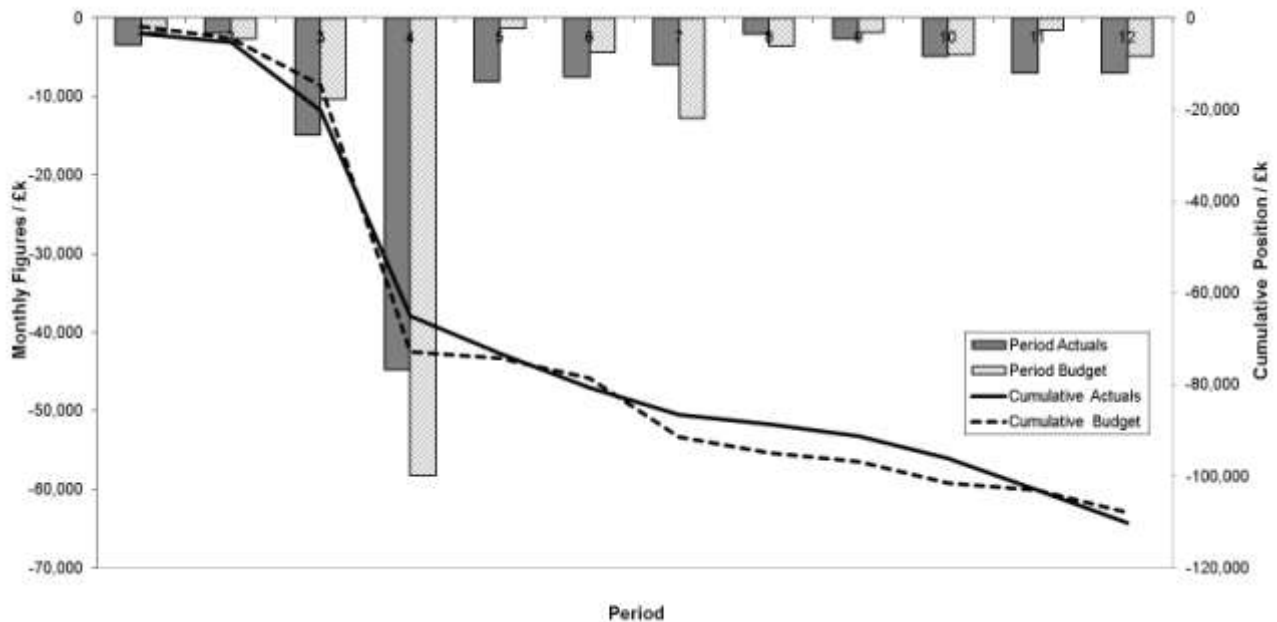
7.7 Year to Date Actuals to Budget

- 7.7.1 The charts below and over the page show gross expenditure and income against the original budget profile for the year on a month by month basis on the left hand axis and cumulatively on the right hand axis.

Gross Expenditure



Income



7.7.2 The position at the end of March against profile can be attributed to the following factors:

- Underspends declared during the year in Community Services and Learning Skills & Education.
- Health contracts with Children Centres have been signed however there are some administrative issues that need to be cleared before payment is made.
- Delay in DWP making data available to assess whether parents can access the Early Years 2 Year old free entitlement offer has resulted in an underspend.
- Expenditure is currently being finalised for the Drugs, Alcohol & Abuse Treatment pooled budget with a potential to roll forward partnership funding of £200k.

8. Environment, Development and Transport (Appendix A3)

Reported Outturn Position: £0.041m underspend

8.1 The Directorate has a planned underspend for the year of £41k, a variance of 0.05% of the net budget. During the year there has been successful management of some significant efficiency targets and the Directorate has also absorbed a pressure of £2.1m on the winter maintenance budget. It has been recognised that in the future this budget will either be re-aligned or funds will be drawn down from earmarked reserves. The underspend has been achieved through extremely robust financial management across all areas of the Directorate and a concerted effort to deliver efficiencies.

8.2 **Chief Fire Officer**

8.2.1 The service has achieved an underspend for the year of £156k. Savings have been achieved in the Control Room base budget through re-profiling of spend and utilisation of DCLG grant. Additional savings have been achieved on the staffing budget primarily through the impact of retirements and vacancy management across the service. The service has effectively managed a number of pressures this year which include additional costs due to dealing with incidents related to adverse weather conditions and the first phase of impact from the Norman vs Cheshire case, which relates to the national implications of a legal judgement on allowances previously deemed non-pensionable.

8.3 **Environment and Planning**

8.3.1 The service has achieved an overall underspend for the year of £1,890k. An underspend of £2,164k relates to the Waste Management service. Savings in this service have been made due to reductions in the tonnages of domestic waste that required treatment and disposal. Further underspends have also been achieved at household waste recycling centres (HWRC) due to an increase in income from the sale of recyclate and also as a result of effective management of the HWRC contract. Innovative trading strategies on the purchase of landfill allowances have resulted in further savings, as have negotiations around the maintenance contract for closed landfill sites. Savings have been achieved through the prudent management of the project for new Residual Waste Treatment and Disposal Contracts, principally by reducing project costs by maximising the use of in-house resources and proactive management of expenditure across the Waste Management service generally. These savings have mitigated pressures in other parts of the Environment and Planning service area, primarily in Northamptonshire Archaeology, where the economic downturn has had an impact on the take-up of archaeological services resulting in an under-recovery of income.

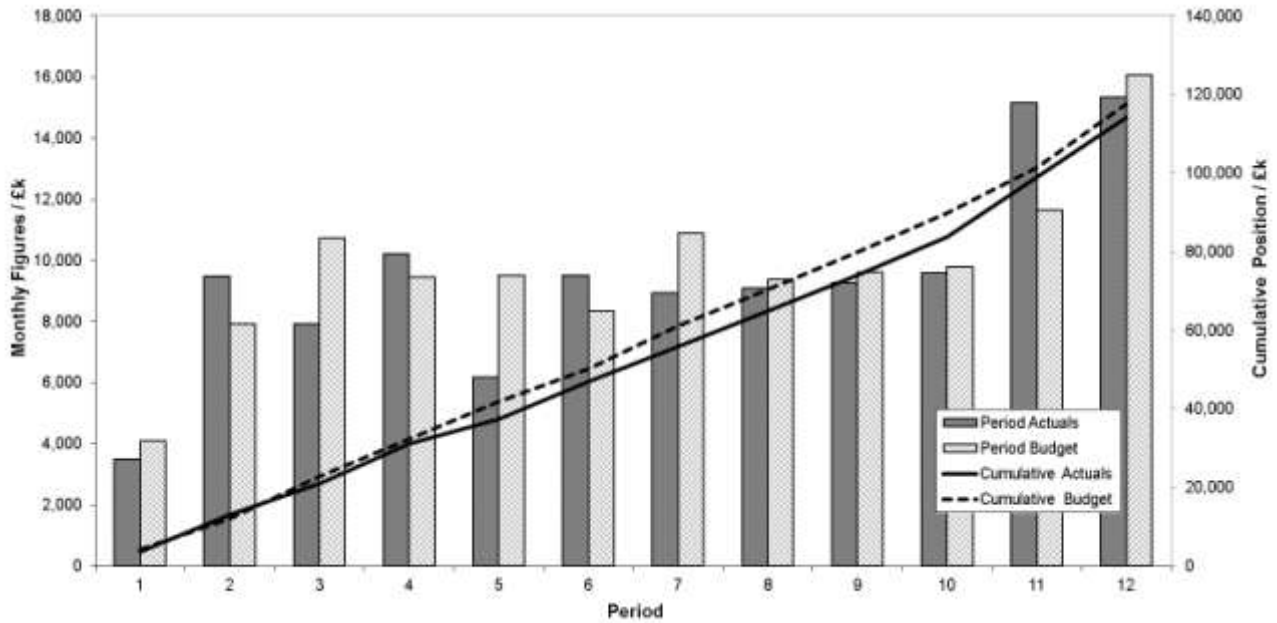
8.4 **Highways, Transport and Infrastructure**

8.4.1 There is an overall overspend in this service of £2,004k, which relates primarily to the winter maintenance service where the extreme weather conditions experienced this year have resulted in an overspend of £2,089k. The service has also managed a number of other pressures this year which include the additional damage caused to roads by the extreme weather conditions and a pressure of £360k relating to the cross-cutting County Council integrated transport project savings. These have been mitigated by savings achieved through e-auctions for transport contracts, effective fleet management and vacancy management across the service.

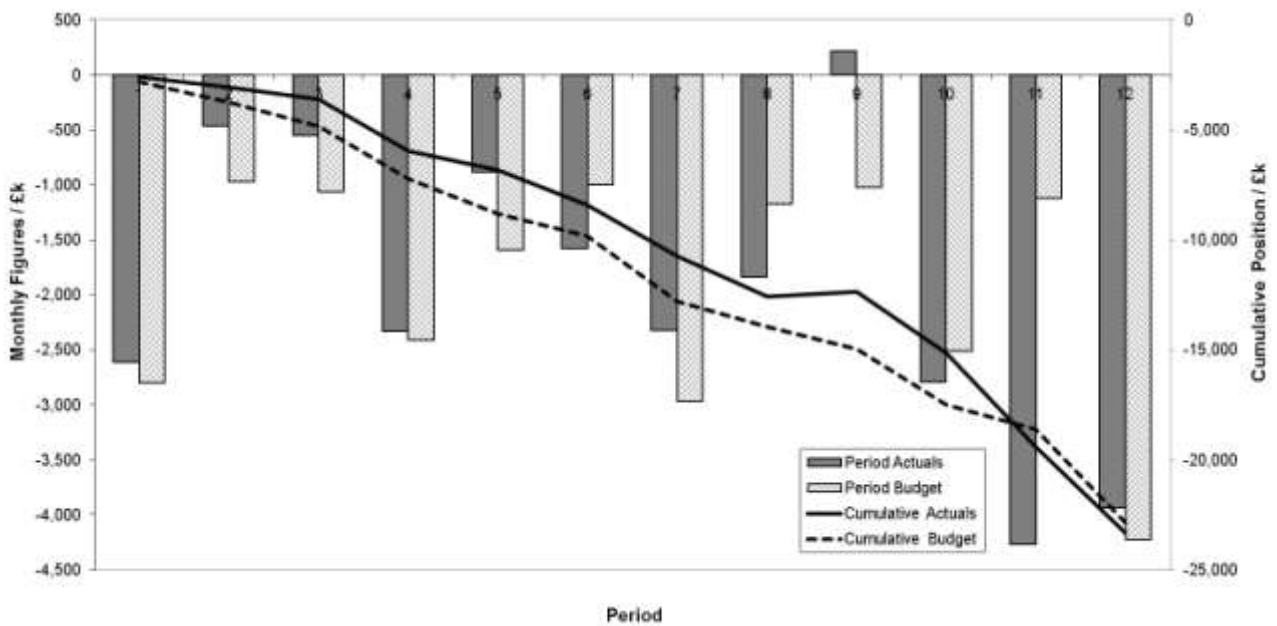
8.5 Year to Date Actuals to Budget

8.5.1 The charts below show gross expenditure and income against the original budget profile for the financial year on a month by month basis on the left hand axis and cumulatively on the right hand axis.

Gross Expenditure



Income



9. Chief Executive Services (Appendix A4)

Reported Outturn Position: £0.514m underspend

9.1 Business Intelligence and Performance

9.1.1 The underspend on Business Intelligence and Performance for the year is £237k. Savings have been achieved this year through proactive vacancy management as well as tight management of project and other expenditure.

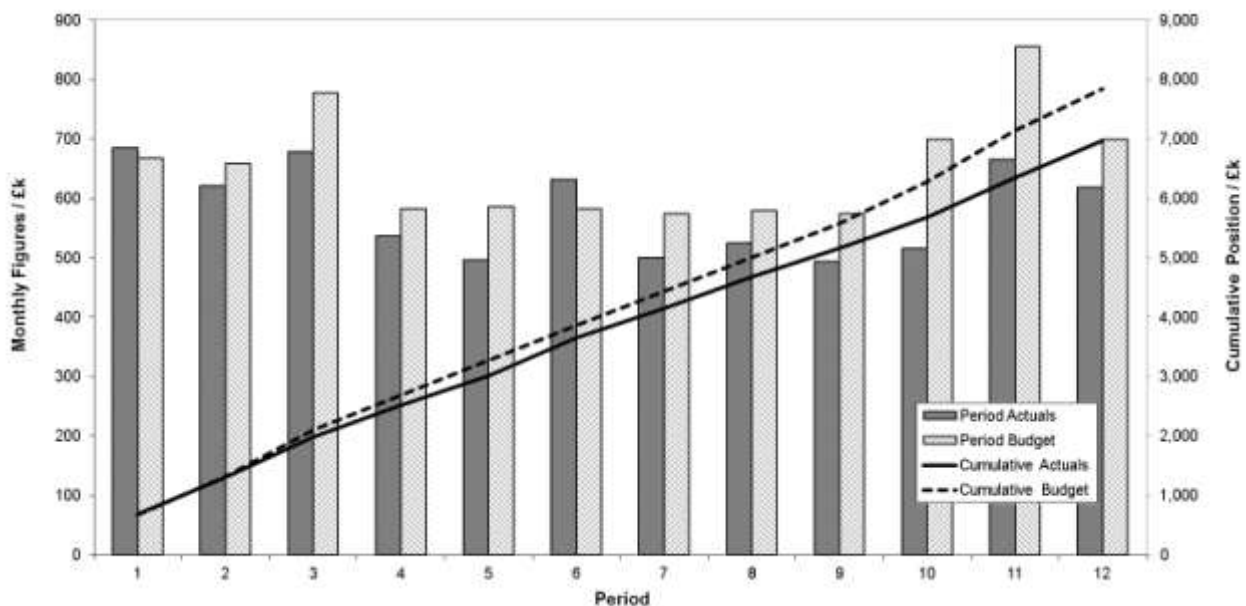
9.2 Leadership Support and Democracy

9.2.1 The services in this area have achieved an underspend of £277k largely due to vacancy management and planned reductions in expenditure. Additional income within the Democracy service has further contributed to the underspend for the year.

9.3 Year to Date Actuals to Budget

9.3.1 The chart below shows gross expenditure against the original budget profile for the year on a month by month basis on the left hand axis and cumulatively on the right hand axis. This area has no significant income streams.

Gross Expenditure



10. Corporate Services and Technical (Appendix A5)

Reported Outturn Position: £1.319m underspend

10.1 Treasury

10.1.1 The underspend of £1.081m is partly as a result of a one off accounting adjustment from the available for sale reserve following a year end review. This has enabled £0.460m to be recognised in the Income and Expenditure account in 2012-13. In addition, there has been a net benefit of £0.621m which has been achieved by a more favourable net borrowing position over the course of the year.

10.2 **Financing**

10.2.1 Part of the Government Formula Grant for 2011-12 was top-sliced to cover the nominal costs of providing services to Academy Schools. The methodology by which this was calculated has since been reviewed by Government as part of a wider review of Academy Funding, and as a result, a partial refund of the original grant deduction has been issued to NCC.

10.3 **Other**

10.3.1 There has been an underspend from the budget set aside to fund the current Second Homes Scheme of £56k, along with increased income from the Car Leasing Scheme of £42k. In addition, £20k corporate income has been cleared from the balance sheet. These are offset by pressures of £146k from corporate bad debt provision, £549k from the creation of a provision for payroll balances and a £100k cross-cutting budget proposal relating to integrated transport.

11. **LGSS Managed Budgets** **(Appendix A6)**

Reported Outturn Position: £0.639m underspend

11.1 **Property & Asset Management**

11.1.1 The services in this area achieved an underspend of £148k. This was principally due to one-off benefits from reduced business rates and additional income. The service also made additional savings from reduced reliance on third party contractors. These benefits offset pressures elsewhere within the service relating to facilities management, the non-functional estate and maintenance budgets.

11.2 **Operations**

11.2.1 The IT service achieved an underspend of £313k through robust management of the third party contracts that support the IT infrastructure.

11.3 **People, Performance & Transformation**

11.3.1 The Directorate achieved an underspend of £178k, principally due to Workforce Development not requiring carry-forwards from previous years to deliver their operational programme. Savings were also achieved within Policy and Strategy through management of contracts and generation of income.

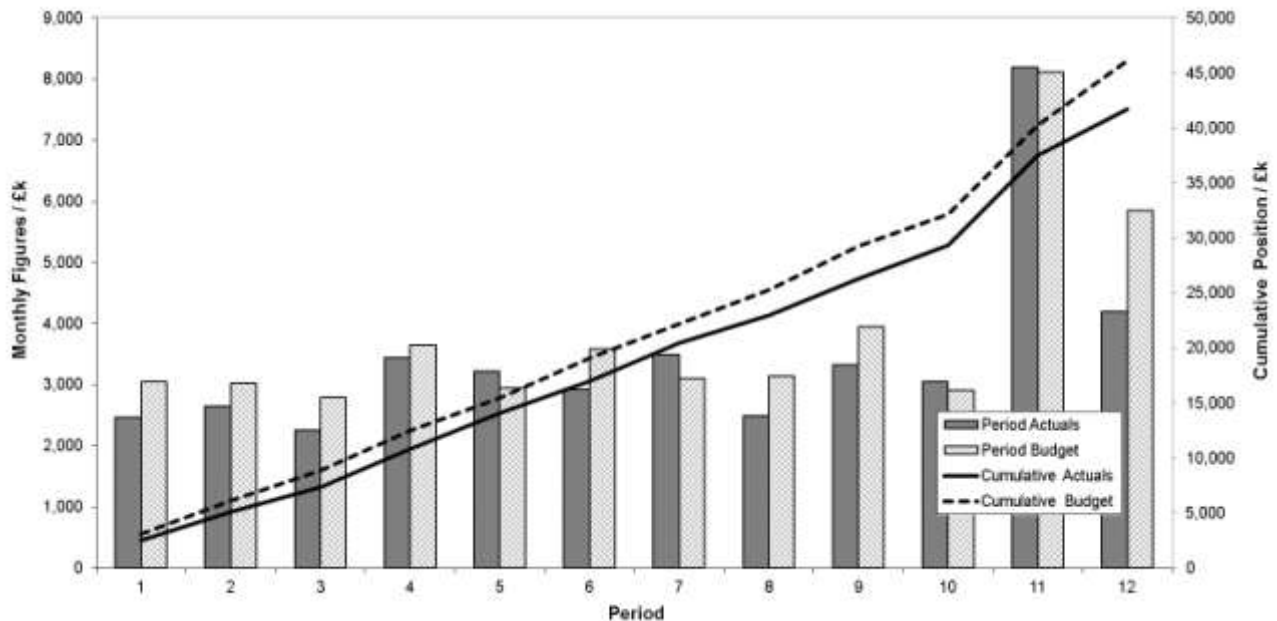
11.4 The underspend above relates to budgets managed by LGSS on behalf of Northamptonshire County Council (NCC). This has been reported to the LGSS Management Board and is included in the table in paragraph 5.1.

11.5 For information purposes only, there is also an underspend of £2,404k on LGSS services operating across both Northamptonshire and Cambridgeshire. This underspend is not reported as part of the NCC total in paragraph 5.1 as LGSS will (subject to Joint Committee approval) reinvest any surplus in the development of its service offering.

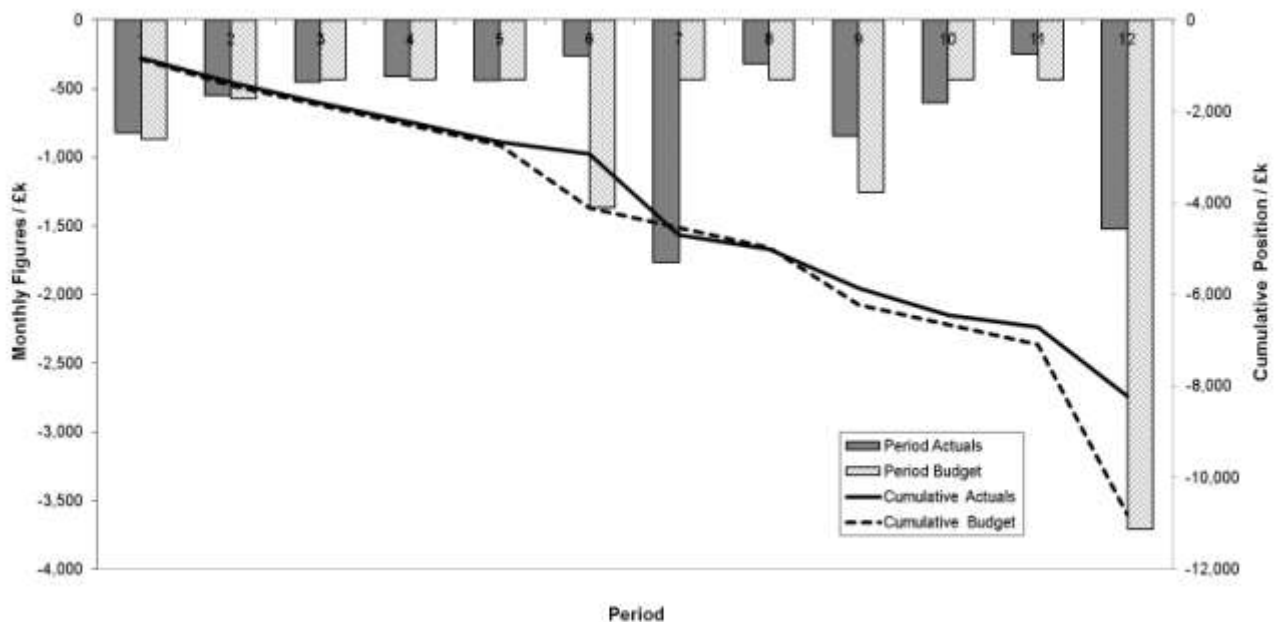
11.6 Year to Date Actuals to Budget

11.6.1 The charts below show gross expenditure and income against the original budget profile for the year on a month by month basis on the left hand axis and cumulatively on the right hand axis.

Gross Expenditure



Income



12. Alternative Options Considered

12.1 It is considered as best practice to brief members and report the latest budgetary position to Cabinet on a regular monthly basis, rather than less frequently (for example, quarterly) or not at all. It also demonstrates the Financial Regulation requirements to ensure the provision of financial information and monitoring compliance with financial management standards.

13. Financial Implications

13.1 The financial implications of this report are set out in sections 5 to 11 above.

14. Risk and Business Continuity Management

14.1 A risk to NCC is that to carry out the activities to meet its objectives, the Council spends beyond its means. There are internal control processes in place to ensure that the council does not spend beyond the resources available. Risk will be managed and monitored throughout the organisation during the delivery of the council's budget plans.

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
<p>The Council overspends its budget resulting in:</p> <ul style="list-style-type: none"> • an inability to deliver its 2012-13 plan • reducing resources available for future pressures 	<p>Robust financial management processes culminating in regularly reporting on the financial position to Cabinet. The financial management process provides officers with the data to enable the formulation of plans to mitigate pressures and take further steps as required to ensure the delivery of a balanced budget at year end.</p>	<p>GREEN</p>
<p>Proposals to correct budget variances are delayed as a result of not following correct governance steps.</p>	<p>Full consultation and equality impact and risk assessments will be carried out prior to the implementation of specific cost reduction proposals.</p>	<p>GREEN</p>

15. List of Appendices

15.1 Appendix A – Detail Variance Analysis

Author:	Name: Alyson Spring Team: Corporate Finance Team
Contact details:	Tel: 01604 367009 Email: aspring@northamptonshire.gov.uk
Background Papers:	Business Objects Planning monitoring returns, Head of Service Reports, Government Budget
Does the report propose a key decision is taken?	NO
If yes, is the decision in the Forward Plan?	N/A
Will further decisions be required? If so, please outline the timetable here	NO
Is this report proposing an amendment to the budget and/or policy framework?	NO
Have the financial implications been cleared by the Strategic Finance Manager (SFM)?	YES
Have any capital spend implications been cleared by the Capital Investment Board (CIB)?	YES
	Name of SFM: ALL

Has the report been cleared by the relevant Director?	YES Section 151 Officer: Matt Bowmer
Has the relevant Cabinet Member been consulted?	YES Cabinet Member: Cllr Bill Parker
Has the relevant scrutiny committee been consulted?	SCHEDULED Scrutiny Committee: Finance improvement and performance working group
Has the report been cleared by Legal Services?	YES Name of solicitor: Shahin Ismail
	Solicitor's comments:
Have any communications issues been cleared by Communications and Marketing?	YES Name of officer: Simon Deacon
Has an Equalities Impact Assessment been carried out in relation to this report?	NO
Are there any community safety implications?	NO
Are there any environmental implications:	NO
Are there any Health & Safety Implications:	NO
Are there any Human Resources Implications:	NO
Are there any human rights implications:	NO
Constituency Interest:	ALL

