

AGENDA ITEM 11.

POLICY, FINANCE & ADMINISTRATION COMMITTEE

3 JULY 2012

REPORT OF THE HEAD OF CENTRAL SERVICES

REVENUE BUDGET 2011/12 - PROVISIONAL YEAR END POSITION

1.0 THE PURPOSE OF THE REPORT

- 1.1 To provide Members with information on the provisional year end position subject to external audit approval for 2011/12.
- 1.2 To provide Members with information on the implications for the Council's balances and reserves.

2.0 RECOMMENDATIONS

2.1 It is recommended that:

- (a) The provisional year end position, variations to the 2011/12 estimated year end position and the resultant effect on the Council's balances and reserves as set out in the attached papers be noted and;
- (b) Supplementary estimates be approved for those services which are overspent against the approved budget.

3.0 KEY ISSUES

- 3.1 The following table compares the provisional year end position for 2011/12, subject to audit, for all General Fund and Housing Revenue Account (HRA) Services to the estimated year end position (spending forecast but not formally approved budget) as reported to Full Council on 1 February 2012. For members further information columns have been added to show performance against the original budget set in February 2011. Attached at Appendix A is a summary of budget holder performance comparing the provisional year end position to the approved budget (the original budget as adjusted by supplementary estimates, virements and budget reductions authorised during the financial year) but for controllable budgets only i.e. excludes support service recharges, capital charges and other internal recharges between services. The approved budget is the authorised budget for spending purposes.

	Original Budget	Estimated Year End Position @ 31/3/12	Prov. Yr. End Position	Variance to Original Budget Underspend (-)	Variance to Estimated Year End Position Underspend (-)
	£	£	£	£	£
General Expenses					
Net Cost of Services	6,247,770	6,795,930	9,423,683	*3,175,913	2,627,753
Non Service Related Costs/Income	-6,239,000	-6,532,350	-9,790,441	*-3,551,441	-3,258,091
Net Expenditure	8,770	263,580	-366,758	-375,528	-630,338
Transfer to/from (-) Working Balance	0	0	0	0	0
Transfer to (-)/from Corporate Priorities Reserve (CPR)	8,770	263,580	-366,758	-375,528	-630,338
Special Expenses (MM)					
Net Cost of Services	552,730	610,880	954,471	401,741	343,591
Non Service Related Costs/Income	-587,270	-641,400	-1,065,505	-478,235	-424,105
Net Expenditure	-34,540	-30,520	-111,034	-76,494	-80,514
Transfer to/from (-) Working Balance	834	834	834	0	0
Transfer to (-)/from General Reserve Working Balance (Special Expenses)	-33,706	-29,686	-110,200	-76,494	-80,514
Special Expenses (Sproxton) Net Deficit/Surplus (-)	551	551	1,016	465	465
Special Expenses (Frisby) Net Deficit/Surplus (-)	562	562	-90	-652	-652
Special Expenses (Broughton & Old Dalby) Net Deficit/Surplus (-)	-274	-194	-780	-506	-586
HRA Working Balance Net Deficit/Surplus (-)	-920	-20,900	-329,139	-328,219	-308,239

* includes an impairment cost/reversal i.e. reduction in asset value for Parkside of £2.966m

- 3.2 The net position against the estimated year end position for each of the funds is therefore as follows:

General Fund General Expenses - Underspend of £630,338
Special Expenses (Melton Mowbray) - Underspend of £80,514
Housing Revenue Account – Underspend of £308,239

In light of the continued economic downturn this represents a good outcome for all the Council's funds by demonstrating the Council's ability to manage its finances within budget despite the substantial loss of income in certain areas (i.e. planning and building control fees) and increases in expenditure in areas such as homelessness, increase in provision for sundry debtors doubtful debts and the compensation payment on a planning application. In addition there was some uncertainty with the move to the new Council offices and the running costs associated with Parkside and the subsequent ability to let Phoenix House. The uncertainty relating to property running costs will carry on into 2012/13.

- 3.3 As part of the Council's flexible budget monitoring processes budgets are updated throughout the year to take into account supplementary estimates, virements and budget reductions creating an approved budget for budget holders to work within. As part of the budget monitoring and review process all budget holders have been requested to provide an explanation of significant variations against their approved budget on individual services. A full set of the more detailed explanations will be available at the meeting or members can contact the Finance Section in advance if there are any particular queries. Brief comments summarising the reasons for any budget variations for items which are within the budget holder's control have been included against the relevant service line in Appendix A. Only those in excess of £10k have been commented on. Also, included for information is the level of carry forwards previously approved at this Committee's meeting of 17 April 2012 and adjusted under delegated authority to take account of the provisional year end position. These total £135,200 for general expenses and no carry forwards in respect of special expenses. As such this reduces the underspend against the estimated year end position on general expenses from £630,338 to £495,138. This can be compared to the approved budget as adjusted by approved virements, supplementary estimates and budget reductions, where an underspend of £695,018 was estimated prior to carry forwards.
- 3.4 Included in the net saving position for General Expenses is an estimated credit of £157,952 re: the Council offices fire insurance claim. The insurance claim is in its final stages and final agreement is yet to be reached regarding amounts outstanding. The insurance process has required any savings as a result of the fire to be offset against the claim and as 2011/12 was the final year in which these savings were considered then no further provision in the accounts is required. As such this saving represents a fairly prudent realisation of the residual balance on the account. During 2012/13 an exercise will be undertaken to audit the claim before it is finally completed and signed off by members and the insurers. It is not considered prudent to reserve amounts in the accounts which may not be forthcoming but members should be mindful of the fact that a further contribution to or from from the corporate priorities reserve may or may not be required in 2012/13.
- 3.5 Also included in the net saving position for General Expenses is an estimated credit of £171,800 re: legal and other costs in relation to the sale of the land on Nottingham Road. This comprises £61,800 in the Legal Services expenditure budget which was carried forward from 2010/11 and represented a worse-case scenario budget if the sale were to be aborted and a reimbursement of the Council's fees by the purchaser of £110,000. Members may recall at a previous meeting of this committee officers undertook to look at capitalising the revenue costs, net of the above reimbursement, against the capital receipt. It is not recommended that such costs be capitalised as the cost of £120k is only marginally above the reimbursement received of £110k.

Included in the cost figure is a reserved creditor amount of £17k which represents again a worse-case scenario of final external fees due to be paid by the Council and is the subject of further negotiations with the creditor. This may mean that the cost is reduced and as the reserved creditor entry was processed late in the closing of accounts process it wasn't considered to be of advantage to undertake a capitalisation exercise when taking into account the large amount of accounting entries that this would have generated.

- 3.6 Due to the exceptional circumstances as a result of both the economic climate where budget holders were encouraged to keep costs to a minimum and the move to Parkside it remains extremely difficult to draw conclusions on overall budget holders performance.
- 3.7 The impact on reserves and balances of the provisional year end position is summarised below:

	<u>General Expenses</u>		<u>Special Expenses</u>		<u>HRA</u>
	<u>Working Balance</u>	<u>Corporate Priorities Reserve</u>	<u>Working Balance</u>	<u>General Reserve</u>	<u>Working Balance</u>
	£	£	£	£	£
Balance as at 31 st March 2011	640,000	848,067	49,166	67,993	397,933
Contribution from/to (-) Revenue Account	0	366,758	834	110,200	329,139
Funding of Capital Programme	0	0	0	0	0
Provisional Balance @ 31st March 2012	640,000	1,214,825	50,000	178,193	727,072
<u>Less:</u>					
Revenue Budget Carry Forwards	0	-135,200	0	0	0
Capital Programme Incl.C/Forwards	0	0	0	-18,000	0
Budgeted use of Reserves 2012/13	0	-1,680	0	37,810	150,970
Revised Estimated Position @ 31st March 2013	640,000	1,077,945	50,000	198,003	878,042

- 3.8 As a result of the above, the balance on the Corporate Priorities Reserve is estimated to be £758,138 more as at 31 March 2013 than was reported to Full Council on 1 February 2012. The difference on the Reserve can be accounted for by the under spend on the revenue account and the use of capital receipts to fund the capital programme as a replacement for using this reserve. The option for using the capital receipt from the sale of land on Nottingham Road to fund the capital programme was approved at the Full Council meeting when the budget was set for 2012/13.
- 3.9 For Special Expenses (MM) a contribution of £834 from the Special Expenses Reserve has been used to restore the working balance from £49,166 to the recommended level of £50,000 as approved at Full Council on 1 February 2012. As a result of the figures in the table above, the balance on the Special Expenses Reserve is estimated to be £80,514 more as at 31 March 2013 than was reported to the same meeting.

This will assist members who wished to build up the reserve to fund non-recurring items of capital/revenue in the future. The difference on the Reserve can be accounted for by an under spend on the revenue account.

- 3.10 Financial Procedure Rules require that any overspending on service estimates in total must be carried forward to the following year unless a supplementary estimate has been approved by this Committee and will constitute the first call on service estimates in the following year.

Therefore this Committee needs to determine whether to approve supplementary estimates for those service areas which have overspent their budget in 2011/12 or whether these are to be carried forward into 2012/13. There are no particular overspends recommended for carry forward into 2012/13.

4.0 **POLICY AND CORPORATE IMPLICATIONS**

- 4.1 Policy and corporate implications are covered in the key issues section of this report.

5.0 **FINANCIAL AND OTHER RESOURCE IMPLICATIONS**

- 5.1 In summary, taking into account carry forwards, the 2011/12 end of year position has resulted in an increase to the balance on the corporate priorities reserve of £692k against the estimated year end position.

- 5.2 The provisional year end position has shown that flexible budget management processes and the good working relationships and partnership between finance and budget holders has enabled increased costs to be offset by savings elsewhere. This represents a tremendous achievement for the Council in such economically challenging times.

- 5.3 This management approach has produced once again a very healthy end of year position. As set out earlier steps need to be taken to ensure any ongoing budget surpluses are identified and removed from budgets as whilst these are generally small at a service level collectively they have resulted in a large corporate underspend. Reserves may be required to cushion the impact of the Local Government Finance Bill which is likely to result in increased financial risk with the local retention of business rates and council tax benefit.

6.0 **LEGAL IMPLICATIONS/POWERS**

- 6.1 Legal implications/powers were addressed in setting the current year's budget. There are no further legal implications arising from this report.

7.0 **COMMUNITY SAFETY**

- 7.1 Community safety issues were addressed in setting the current year's budget. There are no further community safety issues arising from this report.

8.0 **EQUALITIES**

- 8.1 Equalities issues were addressed in setting the current year's budget. There are no further equalities issues arising from this report.

9.0 **RISKS**

- 9.1 The Council's Chief Financial Officer has a duty under the Local Government Act 2003 in setting the budget to comment on the robustness of the estimates and the adequacy of the reserves.

This requires that effective budget monitoring procedures are set in place to monitor expenditure and income against the budget and careful consideration is given to determining the level of reserves.

9.2 It is still early in the 2012/13 financial year and budget monitoring; however there is still pressure on some income budgets where it is not clear if there will be any recovery moving back to pre-recession levels in areas such as planning and building control. Investment income is unlikely to show any recovery in 2012/13, however has been boosted by the proceeds of the substantial receipt from the sale of land on Nottingham Road. This has also enabled the Council's General Fund to become debt free with resultant savings in principal and interest; part of which has been used in providing additional resources for Customer Services.

9.3 The Local Government Finance Bill is likely to result in increased financial risks with the local retention of business rates and council tax benefit.

9.4 As part of the 2012/13 budget setting process members approved the continuation of the temporary increase to the working balance of £60k to help mitigate the financial impact of the economic downturn.

10.0 **CLIMATE CHANGE**

10.1 Climate change issues were addressed in setting the current year's budget. There are no further climate change issues arising from this report.

11.0 **CONSULTATION**

11.1 The Budget and Strategic Planning Working Group in a meeting held on 19 June 2012, the Corporate Management Team and budget holders have been consulted in preparing this report.

12.0 **WARDS AFFECTED**

12.1 All wards are affected.

Contact Officer: David Cowl

Date: 7 June 2012

Appendices: Appendix A – Provisional Year End Position 2011-12

Background Papers: Budget Variation Analyses
Oracle General Ledger Reports

Reference: X: C'tees, Council & Sub-C'tees/PFA/2012-13/3-07-12/DG-Provisional Year End Position 2011-12