

AGENDA ITEM 10

POLICY, FINANCE & ADMINISTRATION COMMITTEE

10 JULY 2013

REPORT OF THE HEAD OF CENTRAL SERVICES

REVENUE BUDGET 2012/13 - 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 2012/13.
- 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 2012/13 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 as attached at Appendix A.**

3.0 KEY ISSUES

- 3.1 The following table compares the provisional year end position for 2012/13, 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 6 February 2013. For members further information columns have been added to show performance against the original budget set in February 2012. 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 @ 31/3/13	Prov. Yr. End Position	Variance to Original Budget Underspend (-)	Variance to Estimated Year End Position Underspend (-)
	£	£	£	£	£
General Expenses					
Net Cost of Services*	6,353,200	6,748,090	9,539,533	3,186,333	2,791,443
Non Service Related* Costs/Income	-6,351,520	-6,776,940	-10,075,218	-3,723,698	-3,298,278
Net Expenditure	1,680	-28,850	-535,685	-537,365	-506,835
Transfer to/from (-) Working Balance	0	180,000	180,000	180,000	0
Transfer to (-)/from Corporate Priorities Reserve (CPR)	1,680	151,150	-355,685	-357,365	-506,835
Special Expenses (MM)					
Net Cost of Services*	618,820	626,960	1,220,285	601,465	593,325
Non Service Related* Costs/Income	-656,630	-662,550	-1,323,256	-666,626	-660,706
Net Expenditure	-37,810	-35,590	-102,971	-65,161	-67,381
Transfer to/from (-) Working Balance	0	-2,220	0	0	2,220
Transfer to (-)/from General Reserve Working Balance (Special Expenses)	-37,810	-37,810	-102,971	-65,161	-65,161
Special Expenses (Sproxton) Net Deficit/Surplus (-)	-1,247	-1,247	-2,096	-849	-849
Special Expenses (Frisby) Net Deficit/Surplus (-)	839	839	-46	-793	-793
HRA Working Balance Net Deficit/Surplus (-)	-150,970	-113,970	-310,271	-159,301	-196,301

* actual/variance figures include impairment costs/reversals i.e. reflect a reduction in asset values which are not budgeted for in respect of various assets for General Expenses of £3,004,588 and for Special Expenses of £245,089.

- 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 £506,835
Special Expenses (Melton Mowbray) - Underspend of £65,161
Housing Revenue Account – Underspend of £196,301

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 a further loss of income against budget in certain areas (i.e. building control fees, cattle market, public conveniences and rent income from the industrial units). In addition there was some uncertainty with running costs associated with Parkside and the subsequent ability to let Phoenix House.

- 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 10 April 2013 and adjusted under delegated authority to take account of the provisional year end position. These total £242,530 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 £506,835 to £264,305.
- 3.4 Included in the net saving position for General Expenses is a credit of £144,220 which reflects the final settlement of the Council offices fire insurance claim. This follows a final audit of the claim with the claim being signed off by members and the insurers in December 2012. Members may recall in a similar report to last year's meeting of this committee that a further contribution to or from from the corporate priorities reserve may or may not be required in 2012/13 as a result of this finalisation process.
- 3.5 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.
- 3.6 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 2012	640,000	1,214,825	50,000	178,193	727,072
Contribution from/to (-) Revenue Account	180,000	355,685	0	102,971	310,271
Contribution from (-) /to Reserves	0	-16,602	0	0	0
Funding of Capital Programme	0	-20,349	0	-2,830	0
Provisional Balance @ 31st March 2013	820,000	1,533,559	50,000	278,334	1,037,343
<u>Less:</u>					
Revenue Budget Carry Forwards	0	-242,530	0	0	0
Capital Programme Incl.C/Forwards	0	0	0	-47,000	0
Budgeted changes to Reserves 2013/14	0	0	0	37,080	224,510
Revised Estimated Position @ 31st March 2014	820,000	1,291,029	50,000	268,414	1,261,853

- 3.7 As a result of the above, the balance on the Corporate Priorities Reserve is estimated to be £252,354 more as at 31 March 2014 than was reported to Full Council on 6 February 2013. The difference on the Reserve can be accounted for by the under spend on the revenue account with just a minor underspend on the capital programme.
- 3.8 Included in the underspend on the capital programme is a minor residual figure of £2,578 received in previous years in Planning Delivery Grant which was required to be used for capital purposes. As no new relevant schemes were included in the programme for the year this amount has contributed to the Partnership Scheme in Conservation Areas in lieu of being required, so reducing the need to use capital receipts.
- 3.9 For Special Expenses (MM) as a result of the figures in the table above, the balance on the Special Expenses Reserve is estimated to be £65,331 more as at 31 March 2014 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 2012/13, as attached at Appendix A, or whether these are to be carried forward into 2013/14. There are no particular overspends recommended for carry forward into 2013/14.

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 2012/13 end of year position has resulted in an increase to the balance on the corporate priorities reserve of £495k against the estimated year end position. When budget carry forwards are taken into account this reduces the increase to £252k at 31st March 2014.

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 there continues to be a need to take steps 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 fairly large corporate underspend.

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 2013/14 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 2013/14, however has been boosted by the proceeds of the substantial receipt from the sale of land on Nottingham Road.

9.3 The Local Government Finance Bill has resulted in increased financial risks with the local retention of business rates and council tax benefit.

9.4 As part of the 2013/14 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 and further increased it by the sum of £180k largely as a result of the risks associated with the localisation of business rates.

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 17 June 2013, the Management Team and budget holders have been consulted in preparing this report.

12.0 **WARDS AFFECTED**

12.1 All wards are affected.

Contact Officer: Carol King, Senior Accountant

Date: 31 May 2013

Appendices: Appendix A – Provisional Year End Position 2012-13

Background Papers: Budget Variation Analyses
Oracle General Ledger Reports

Reference: X: C'tees, Council & Sub-C'tees/PFA/2013-14/10-07-13/DG-Provisional Year End Position 2012-13