

# AGENDA ITEM 11

## POLICY, FINANCE & ADMINISTRATION COMMITTEE

29 JUNE 2010

### REPORT OF THE HEAD OF FINANCIAL SERVICES

#### REVENUE BUDGET 2009/10 - 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 2009/10.
- 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 2009/10 approved budget 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 2009/10 for all General Fund and Housing Revenue Account (HRA) Services to the approved budget (the original budget as adjusted by supplementary estimates, virements and budget reductions authorised during the financial year). The approved budget is the authorised budget for spending purposes. For members further information columns have been added to show performance against the original budget set in February 2009. Attached at Appendix A is a summary of budget holder performance comparing the provisional year end position to the approved budget but for controllable budgets only i.e. excludes support service recharges, capital charges and other internal recharges between services.

	<b>Original Budget</b>	<b>Estimated Year End Position @ 31/3/10</b>	<b>Prov. Yr. End Position</b>	<b>Variance to Original Budget Underspend (-)</b>	<b>Variance to Estimated Year End Position Underspend (-)</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>General Expenses</b>					
Net Cost of Services	7,044,510	7,551,470	6,912,166	-132,344	-639,304
Non Service Related Costs/Income	-7,012,280	-7,156,540	-6,818,834	193,446	337,706
Transfer to (-)/from Corporate Priorities Reserve (CPR)	32,230	394,930	93,332	61,102	-301,598
Surplus/Deficit (-) on Working Balance	0	-85,080	0	0	85,080
Transfer to (-)/from CPR to Working Balance	60,000	60,000	60,000	0	0
	92,230	369,850	153,332	61,102	-216,518
<b>Special Expenses (MM)</b>					
Net Cost of Services	529,430	533,070	551,984	22,554	18,914
Non Service Related Costs/Income	-525,650	-523,270	-527,653	-2,003	-4,383
Transfer to (-)/from General Reserve/ Working Balance (Special)	3,780	9,800	24,331	20,551	14,531
<b>Special Expenses (Sproxton) Net Deficit/Surplus (-)</b>	1,226	1,226	675	-551	-551
<b>Special Expenses (Frisby) Net Deficit/Surplus (-)</b>	868	868	306	-562	-562
<b>Special Expenses (Broughton &amp; Old Dalby) Net Deficit/Surplus (-)</b>	135	-25	79	-56	104
<b>HRA Working Balance Net Deficit/Surplus (-)</b>	10,420	37,960	-52,397	-62,817	-90,357

- 3.2 The net position against the estimated year end position (spending forecast but not formally approved budget) as reported to Full Council on 3 February 2010 for each of the funds is therefore as follows:

General Fund General Expenses - Underspend of £216,518  
Special Expenses (Melton Mowbray) - Overspend of £14,531  
Housing Revenue Account – Underspend of £90,357

In light of the continued economic downturn this represents a good outcome for the General Fund 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 income from investments and the uncertainty of certain budgets during the business recovery period.

- 3.3 Included in the net position for General Expenses is an estimated reserve cost of £291,725 re: the Council offices fire insurance claim. The insurance process requires any savings as a result of the fire to be offset against the claim. Following initial discussions with the loss adjuster there are a number of services where savings have accrued that will be subject to further scrutiny. At this stage in the process, it is considered that this figure represents a reasonable assessment of savings in respect of £146,586 in 2008/09 and £145,139 in 2009/10. Of this amount £154,725 has been agreed and the remainder is subject to further discussion. Once the final figure is agreed the savings will have to be paid to the Council's insurers.
- 3.4 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 Financial Services 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 21 April 2010 and adjusted under delegated authority to take account of the provisional year end position. These total £221,330 for general expenses and no carry forwards in respect of special expenses. As such this changes the position from underspend on general expenses to an overspend of £4,812.
- 3.5 Due to the exceptional circumstances as a result of both the economic climate and the fire it is extremely difficult to draw conclusions on overall budget holders performance. As a result of budget concerns budget holders were asked to keep non-essential expenditure to a minimum and it is clear that this was adhered to generally thereby reducing the overall impact on the Council's finances.
- 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 <sup>st</sup> March 2009	580,000	1,000,377	50,000	17,836	42,816
Contribution from/to (-) Revenue Account (includes £51,082 approved under delegated authority by BSPWG from £250k)	60,000	-153,332	-7,544	-16,787	52,397
Funding of Capital Programme	0	-26,531	0	-1,049	0
<b>Provisional Balance @ 31<sup>st</sup> March 2010</b>	<b>640,000</b>	<b>820,514</b>	<b>42,456</b>	<b>0</b>	<b>95,213</b>
<b><u>Less:</u></b>					
Revenue Budget Carry Forwards	0	-221,330	0	0	0
Capital Programme Incl.C/Forwards	0	-159,000	0	-7,000	0
Budgeted use of Reserves 2010/11	85,080	-27,840	0	16,070	145,190
Balance of uncommitted £250k delegated to BSPWG (excludes £59,260 included in approved carry forwards above)	0	-81,648	0	0	0
<b>Revised Estimated Position @ 31<sup>st</sup> March 2011</b>	<b>725,080</b>	<b>330,696</b>	<b>42,456</b>	<b>9,070</b>	<b>240,403</b>

- 3.7 As a result of the above, the draw on the Corporate Priorities Reserve is estimated to be £6,366 more as at 31 March 2011 than was reported to Full Council on 3 February 2010. However in 2009/10 a deficit on the revenue account of £85,080 was estimated at the year end when the budget for the year was reviewed and reported to Full Council in February 2010. Rather than draw further on reserves at the year end to restore the working balance it was resolved that this deficit be carried forward and restored as part of the 2010/11 budget. However, as a result of the positive year end position a deficit no longer exists providing a contingency in 2010/11. This is particularly useful at this time as the Government is currently reviewing a variety of grants received by Local Government in 2010/11 and it is not certain at this stage the full implications of these for Melton. This surplus budget may be required to offset these.
- 3.8 For Special Expenses (MM) the Special Expenses Reserve is not sufficient to restore the working balance to £50,000 leaving a £7,544 shortfall. There is sufficient within the working balance in 2010/11 to restore the balance, however this would mean a lower contribution to the Special Expenses Reserve (MM) which members wished to build up to fund non-recurring items of capital/revenue in the future. As such the position will be reviewed as part of the budget setting process for 2011/12. The difference on the Corporate Priorities Reserve can be accounted for by the underspend on both the revenue account and the capital programme.

3.9 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 2009-10 or whether these are to be carried forward into 2010/11. There are no particular overspends recommended for carry forward into 2010/11.

#### 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 2009/10 end of year position has resulted in a small increase in the draw on the corporate priorities reserve of £6k. However as a result of reduced spending, capacity of £85k has been created within the 2010/11 revenue budget due to no deficit being carried forward. This may be required to fund reductions in grant from central government.

5.2 The provisional year end position for 2009/10 has once again illustrated the benefits of effective budget management. Throughout 2009/10 the Council once again operated within a risk based budget monitoring/management process which resulted in an effective partnership between the Finance Team and the service budget holders. This enabled all budget issues to be addressed in year through virement, supplementary estimates and other service management activities. As a result, the Council has minimised and managed overspends from areas such as reduced investment income, planning and building control income and increased concessionary fares costs with additional income from assets, reduced borrowing costs from enhanced cash flow management and also general savings across the board from careful spending as well as efficiency projects. In light of both the continued economic climate and the impact of the fire this is a particularly satisfactory outcome.

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.

#### 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 2010/11 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 2010/11. In addition central government is reviewing a number of areas which may result in reduced or no grants in some areas that have been already budgeted for in 2010/11.
- 9.3 As part of the 2010/11 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. In addition there is the additional headroom of £85k created by the positive outcome on the 2009/10 budget end of year position. However, it will still be necessary to keep non-essential spending to a minimum to offset potential pressure elsewhere.

## 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 23 June 2010, the Corporate Management Team and budget holders have been consulted in preparing this report.

## 12.0 WARDS AFFECTED

- 12.1 All wards are affected.

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Contact Officer: David Cowl

Date: 5 June 2010

Appendices: Appendix A – Provisional Year End Position 2009-10

Background Papers: Budget Variation Analyses  
Oracle General Ledger Reports

Reference: X: Committees/PFA/2010-11/29-06-10/DG-Provisional Year End Position 2009-10