
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 10
DATE OF MEETING:	6th SEPTEMBER 2012	CATEGORY: DELEGATED
REPORT FROM:	CHIEF EXECUTIVE OFFICER	OPEN
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SUBJECT:	BUDGET and FINANCIAL MONITORING 2012/13	REF
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the latest budget and financial monitoring figures for 2011/12 are considered and approved.
- 1.2 That the remaining sum of £27,332 from the Etwall Leisure Centre New Build Project, is used as a contribution to provide additional car parking facilities at the site.

2.0 Purpose of Report

- 2.1 In accordance with the financial management framework, the Council monitors income and expenditure against its budgets on a regular basis throughout the year. This is generally undertaken on a monthly basis, although more regular monitoring takes place on the more volatile and higher risk budgets such as housing repairs.
- 2.2 Financial information is available on-line to enable day-to-day monitoring within services. Formal monitoring involves budget managers together with their service accountant, meeting and reviewing performance against their particular budgets. This is intended to identify any variances as early as possible to enable remedial and timely action to be taken.
- 2.3 Overall financial performance and the major budget variances are reported to this committee throughout the year. In accordance with its Treasury Management Strategy, the Council monitors its lending and borrowing on a regular basis.
- 2.4 The Council's cash flow is monitored on a daily basis and reported monthly to the Council's Chief Finance Officer. Again, overall performance is reported to this Committee throughout the year.

- 2.5 This is the first monitoring report for the financial year 2012/13. It details performance up to 30th June 2012 and is the first quarters report.

3.0 Detail

GENERAL FUND REVENUE ACCOUNT

- 3.1 Apart from Council Housing, day to day income and expenditure is accounted for through a General Fund. The net expenditure is financed from Government Grant and Council Tax, with any shortfall (effectively a budget deficit) being financed from the Council's Reserves.
- 3.2 The original budget, which was approved in February 2012, estimated a budget deficit of £109,767 in 2012/13 to be financed from general reserves. This included contingent sums set-aside for inflation, growth and the implementation of the local pay and grading review. The approved budget is summarised below.

<u>Approved Budget 2012/13</u>		(£)
Net Expenditure on Services		11,343,340
Capital Accounting Adjustments		
Reverse out Depreciation		-643,430
Add in Minimum Revenue Provision		262,000
Increase in provision for Bad Debts		25,000
Contingent Sums		
Pay and Grading - additional on-going resources		130,000
Provision for Inflation and General Growth		237,567
Waste Collection - Provision for Growth of the District		69,856
Overall Net Revenue Expenditure		11,424,333
Financing		
General Government Grant		-5,203,475
Council Tax Freeze Grant		-240,787
New Homes Bonus		-969,805
Council Tax Payers		-4,837,149
Collection Fund Surplus		-20,000
Section 106 Earmarked Reserve - Open Space Maintenance		-43,350
Total - Financing		-11,314,566
Estimated Deficit for 2012/13		109,767

- 3.3 In line with normal monitoring arrangements, the position on Net Expenditure on Services (i.e. £11,343,340 in the above table) is the main area that is subject to a detailed review.
- 3.4 This is the amount that is directly managed and controlled by the various budget holders across the Council. The Budget, together with major variances identified as at June 2012 is summarised in the tables, below.

- 3.5 A full analysis of each service area at cost centre level with variances across each policy committee is detailed in **Appendices 1 to 3**. These appendices also show actual spend to-date, budget remaining, together with narrative on any assumptions, risks and reasons for major variances.
- 3.6 The variances reflect the latest situation and although projected to out-turn at this level, could change during the remainder of the year. In particular, areas of projected overspend are kept under review in order to mitigate the effects on the overall budget.

Performance against Budget 2012/13 as at June 2012 (by Committee)

Summary by Policy Committee	Approved Budget £	Projected Actual £	Projected Variance £
Environmental and Development Services	3,955,591	4,131,004	175,413
Housing and Community Services	2,254,949	2,235,625	-19,324
Finance and Management	5,132,799	5,003,797	-129,002
TOTAL	11,343,340	11,370,426	27,086

Performance against Budget 2011/12 as at June 2012 (by Service)

Summary by Main Service Area	Approved Budget £	Projected Actual £	Projected Variance £
Economic Regeneration	271,154	270,264	-890
Environmental Services	639,170	646,239	7,069
Highways	-3,310	-5,071	-1,761
Licensing and Land Charges	-54,214	-59,881	-5,666
Planning	484,105	492,729	8,624
Town Centre	59,470	59,343	-128
Waste Collection and Street Cleansing	1,681,180	1,815,586	134,406
Environmental Education	70,616	70,616	-0
Transport Account	807,420	841,180	33,760
Community Development and Support	546,621	545,101	-1,520
Leisure and Recreational Activities	130,524	128,140	-2,383
Leisure Centres and Community Facilities	490,929	490,590	-339
Parks and Open Spaces	675,287	670,962	-4,325
Private Sector Housing	411,589	400,832	-10,757
Central and Departmental Accounts	3,383,393	3,330,548	-52,845
Revenues and Benefits	157,242	162,140	4,898
Electoral Registration	132,930	114,482	-18,449
Corporate and Democratic Costs	922,739	893,659	-29,080
Payments to Parish Councils	310,980	310,980	0
Concessionary Travel	3,000	1,000	-2,000
Property and Estates	-23,719	-17,080	6,639
Interest Payments and Receipts	246,234	208,067	-38,167
TOTAL	11,343,340	11,370,426	27,086

- 3.7 The tables show that based on current income and spending, there will be an overall increase in net expenditure on services of £27,086 compared to the Budget for the year. However, within this, there are some more significant variances and potential changes and these are detailed in the following sections.

Main Variances

- 3.8 The main projected variances are detailed in **Appendix 4**. These have been grouped and analysed as follows:

	£
Known and funded in the Medium-term Financial Plan (MTFP)	143,462
Amounts that can be confirmed and are secure for the year	-96,263
Amounts that could vary depending on activity over the year	-20,113
TOTAL - OVERALL VARIANCE	<u>27,086</u>

Known and funded in the Medium-term Financial Plan (MTFP)

- 3.9 These are items that have been approved, mainly following restructures, which have been allowed for in the MTFP (i.e. the 5-year financial plan). The amount largely relates to the restructure of Environmental Services approved by the Committee in April 2012.
- 3.10 This represents the interim management and early termination costs which will be offset by savings over the remaining term of the MTFP.

Amounts that can be confirmed and are secure for the year

- 3.11 This represents the amount of overall reduction against the budget that can be confirmed at this stage. These include on-going reductions in corporate and pension costs from 2011/12 that will be built into the upcoming review of the MTFP.
- 3.12 In total, reductions in cost amount to approximately £121,000, partly reduced by an additional cost of the Civic Office alterations that were undertaken in 2011/12. Following the settling of final accounts, the Council has been required to pay an additional £25,000 compared to that estimated, for electrical rewiring, mechanical and redecoration costs.

Amounts that could vary depending on activity over the year

- 3.13 These are amounts where current spending varies from the profiled budget (or expected level) as at June 2012. This could change over the remainder of the year and are clearly areas that will be kept under review.
- 3.14 This includes service areas that are following recent trends of underspending such as Members Allowances and Expenses; these are likely to continue. However, other activities, such as income from planning fees, are more

volatile and the level of actual income is more difficult to predict earlier in the financial year.

Other Issues

- 3.15 The Council could face potential costs associated with a legal challenge concerning Weston Hill Chalet Park. The timescale associated with this is still uncertain and no financial provision has been made in budgets.

Flooding

- 3.16 In addition, the Council incurred some additional costs associated with flooding over the summer months. However, these costs are relatively small and a provision of £5,000 has been included in the projected figures for the year.

Financial Services

- 3.17 The transfer back of Financial Services to the Council will not reduce on-going costs as the previous service fee will become the budget to resource the Unit under the direct management of the Chief Finance Officer.
- 3.18 However, there may be an underspending in 2012/13 as new appointments to strengthen the service will not be fully implemented until later in the year. The details associated with the transfer, together with the new structure, are subject to a separate report elsewhere on this Agenda.

Contingent Sums

- 3.19 The base budget continues to include the following contingent sums totaling **£437,423**.

• Pay and Grading - additional on-going resources	130,000
• Provision for Inflation and General Growth	237,567
• Waste Collection - Provision for Growth of the District	69,856

- 3.20 Over recent years, there has been only a limited need to draw on these sums. Clearly, the additional resources for the new local pay model depend on implementation of the pay and grading review. Although it is early in the financial year, it appears that once again, there will be a limited requirement to drawdown these amounts.
- 3.21 Inflationary increases are still to be agreed for some contracts and the price of fuel and utility costs continues to be monitored. Therefore, it would be prudent to maintain the contingent sum for inflation at this stage.
- 3.22 However, it is currently estimated that no more than **£100,000** will be needed. This sum could also be used to meet any other financial pressures that may arise during the year.

New Burdens (Council Tax) Support Grant

- 3.23 A grant of £84,000 has also been received for implementing the new Local Council Tax Support Scheme. The implementation and options appraisal is subject to a separate report elsewhere on this Agenda.

HOUSING REVENUE ACCOUNT (HRA)

- 3.24 The Council is required to account separately for income and expenditure in providing Council Housing, although the HRA is a subsidiary account of the General Fund.
- 3.25 2012/13 is the first year under the self-financing framework. The approved HRA Budget was set with a small surplus of £30,346. Performance on the HRA is detailed in **Appendix 5**.
- 3.26 The main variation to-date is additional legal and other costs (£18,000 in total) following a County Court Judgment regarding abandoned property. This was reported to the Committee in June 2012.
- 3.27 Spending on repairs is close to the profiled/target budget overall as at June 2012 with rental income also on track. Staffing and other costs generally, are slightly under the expected amount at the end of the first quarter.

CAPITAL EXPENDITURE and FINANCING 2012/13

- 3.28 The updated Capital Programme following the Budget Out-turn for 2011/12 is detailed in **Appendix 6**. This includes the approved programme updated for schemes and amounts brought forward from the previous year.
- 3.29 Progress to-date is summarised in the table below.

<u>Capital Spending Compared to the Budget as June 2012</u>	Approved Budget 2012/13 £	Actual @ June 2012 £
Council House Improvements	4,851,219	342,363
Private Sector Housing	379,000	13,299
Leisure and Community Development	2,150,731	31,128
Environmental Schemes	89,000	7,401
Property Maintenance	106,794	0
	<u>7,576,744</u>	<u>394,191</u>

Council House Improvements

- 3.30 Under self-financing, the capital programme for 2012/13 has more than doubled compared to previous years. The Committee approved the programmed spend during the last Budget Round.
- 3.31 The increased programme has meant that some existing contracts have been re-negotiated (where allowable) whilst additional spend in several other areas is currently subject to the procurement process.
- 3.32 Consequently, actual spending to-date is lower than anticipated.

Leisure and Community Development

- 3.33 The programme in this area was increased during the Budget Round with additional resources approved for several large projects to develop and enhance sporting and recreational facilities. These projects are dependent to some extent on external funding and partnership working where spending will be incurred beyond this financial year.
- 3.34 An update on progress on the main schemes is summarised below.

Green Bank Leisure Centre

- 3.35 Following the successful wet side changing accommodation project an application was made to Sport England for £150,000 towards further refurbishment works.
- 3.36 Unfortunately this application has not enjoyed initial success but has not been refused and additional information has been requested so that the project can be reconsidered after September with a decision being made in December. In addition, a programme of works is being developed to assess the main priorities once the overall budget is confirmed. The Procurement Framework is being finalised.
- 3.37 A further issue for determination on the Green Bank works is to settle on the compensation figure for the loss of income during the completed and future refurbishment works. The Council is responsible for this compensation payment and historical usage patterns are being used to agree a figure.

Etwall Leisure Centre

- 3.38 The final cost of the original Leisure Centre build has now been provided by Derbyshire County Council (DCC) and once the outstanding invoices have been paid to DCC (the Accountable Body for the £6.9m project) there will be a remaining balance out of the initial funding of £27,332.
- 3.39 When John Port School embarked upon a £100,000 project to provide an overspill car park for shared use by the School and Leisure Centre it was informally agreed that the Council would provide any shortfall on the capital build cost towards this car park project. Consequently it is proposed to use the £27,322 as a contribution to the school's cost of the car park.

- 3.40 In terms of further developments of the Centre, progress has been made on the provision of a full size Artificial Grass Pitch with the Football Foundation confirming that the partners can submit a 'priority' application for £300,000 towards the £550,000 cost.
- 3.41 A further project to invest £400,000 in fitness and dance facilities is currently being progressed. The Planning and Procurement Framework requirements are being finalised

Melbourne Sporting Partnership (MSP)

- 3.42 This has now been legally formed and partners have committed to its future. A project team has been formed and work has progressed on funding bids and project specifications. A successful bid for £50,000 was made to Sport England and a bid to the Derbyshire County Council Community Buildings Fund is currently being prepared.

Melbourne Leisure Centre

- 3.43 The lease for the Centre has been transferred to the Community Group who are developing funding bids. The refurbishment of the "managers" house has been completed and is due to be let as a residential property in August.

Rosliston Forestry Centre

- 3.44 The provision of a new toilet block, together with an outdoor shelter and classroom has been designed. Some issues with funding and specifications being greater than budget. Alternative options and funding streams are being pursued.

Eureka Park

- 3.45 A funding application has recently been submitted to provide resources to restore the heritage features of the park. A decision is expected later in the year and the project will also be dependent upon Section 106/Community Infrastructure contributions.

Gresley Old Hall

- 3.46 The Council is continuing to work with the Trustees to deliver a scheme of facility improvements at the site, including the relocation of the bowls pavilion from Maurice Lea Memorial Park. The improvements are being funded by a Section 106 contribution generated from nearby residential development.

Hilton Village Hall

- 3.47 Plans for an extension have been put out to tender. However, the estimated costs are still above funding available through Growth Point. The local project team has applied for loan finance to bridge the gap and the outcome is awaited. Subject to this application and the tendering exercise, a review will be undertaken of the project's viability and whether it will ultimately need to fold.

Rosliston Business Units

- 3.48 As previously reported, there is still an outstanding claim associated with the construction of the Business Units at Rosliston Forestry Centre. This is still being contested by both parties and agreement is still to be reached. No financial provision has been made for any additional costs.

Capital Receipts

- 3.49 With the implementation of the self-financing framework, Council policy is to reinvest all receipts (after pooling) from the sale of council houses into the housing stock.
- 3.50 Under the Government's model for the debt settlement, it was assumed that a certain level of council house sales would continue each year and this was reflected in the Council's debt take-on.
- 3.51 This is projected to average 9 sales over the 30 year settlement period, with 5 assumed for 2012/13. These are key figures as the proceeds from any sales over and above the annual target level will not be subject to Government Pooling and can be retained locally.
- 3.52 This reflects the Government's policy of stimulating "right to buys" by increasing the maximum discount available to tenants. The Council has entered into an agreement with the Government that will enable all proceeds above the annual target to be retained locally, subject to those proceeds being reinvested in the provision of new units.
- 3.53 During the first quarter, there was one sale completed, although the number of enquiries has increased significantly. It is likely that the target of 5 for 2012/13 will be exceeded.

Land Sales

- 3.54 Besides council house sales, the HRA could also retain all receipts from any sales of housing land (normally 50% is pooled). A outline strategy to meet Government regulations for retaining and reinvesting all proceeds was approved by the Committee in June 2012. This is currently being discussed with the Council's External Auditors who are required to "sign off" the Council's proposals.
- 3.55 It is likely that some receipts from land sales will be generated during 2012/13.

General Fund Receipts

- 3.56 No sales are currently anticipated in 2012/13, although the depot redevelopment project is on-going and will eventually generate a capital receipt for reinvestment in other non-housing projects.

TREASURY MANAGEMENT

3.57 An analysis of the Council's borrowing and short-term investments/bank deposits is summarised in the table, below. This shows the position to 30th June 2012.

Debt Outstanding	1/04/2012 £'000	30/06/12 £'000	Change £'000
Self-financing Debt (Average rate 2.7%)	57,423	57,423	0
Market Loan (4.875% fixed)	1,000	1,000	0
Transferred Assets (Erewash) (1% variable rate)	279	279	0
Parish Councils (0% interest)	113	53	-60
Temporary Debt	0	0	0
Total Debt Outstanding	58,815	58,755	-60
Capital Financing Requirement - Debt Cap	69,438	69,438	0
Headroom (CFR - Debt Outstanding)	10,623	10,683	60
Short-term Investments Outstanding	3,000	9,250	6,250
Average Interest Rate Earned (Cumulative)	0.74%	0.26%	-0.48%
Target - Average 7-Day Rate	0.62%	0.56%	-0.06%

Debt Outstanding

3.58 This is largely fixed and no repayments are anticipated during the financial year. £10m of the Self-financing Debt is at variable rates. These rates continue to remain historically low (0.7%) and therefore, it is unlikely, that any revisions to the Treasury Management Strategy will be required as far as managing this part of the debt portfolio.

Short-term Investments

3.59 As previously reported, the Council's lending list has become considerably constrained by the reduction in credit ratings of major financial institutions. The Council's deposits continue to remain safe and easily accessible with other local authorities and the Government's Debt Management Office (DMO).

3.60 However, as the above table shows, the overall rate earned is currently well below the market average, although clearly the rates in both circumstances are extremely low. An analysis of the Council's investments to-date during the financial year is shown in **Appendix 7**.

3.61 Total interest earned to-date totals £7,662. The estimate for the year is £50,000, although it is now projected that this is likely to be in the region of £25,000.

Other Financial Indicators

3.62 These are maintained to check the efficiency of financial services. In addition, the collection rates are targets that form part of the Income Guarantee arrangement under the Partnership with Northgate. The indicators are shown in the following table.

	Yearly target	Actual June 2012	Actual June 2011	At Risk
Collection Rates				
Council Tax in-year Collection	97.40%	30.44%	30.45%	No
Council Tax Arrears Collection	26.70%	7.36%	9.80%	Yes
Business Rates Collection	96.10%	29.02%	28.04%	No
Recovery of Housing Benefit Overpayments	34.20%	9.13%	11.89%	Yes
Financial Efficiency				
Council Tax Base (number of dwellings)	32,494	32,402	31,992	No
Percentage of Invoices paid within 30-days	97.50%	98.80%	92.46%	No
Percentage of Invoices paid within 10-days	65.00%	80.67%	52.96%	No
Number of Payments made Electronically	90.00%	92.66%	89.00%	No

3.63 Performance on council tax arrears collection and the recovery of housing benefit overpayments are currently under review.

4.0 Financial Implications

4.1 As detailed in the report.

5.0 Corporate Implications

5.1 None directly

6.0 Community Implications

6.1 None directly

7.0 Background Papers

7.1 None