

Committee:	Budget Scrutiny Committee	Agenda Item No.:	
Date:	20th July 2012	Status	Open
Category	Part of the Budget and Policy Framework		
Subject:	BUDGET MONITORING REPORT		
Report by:	Director of Corporate Resources		
Other Officers Involved	Assistant Director Finance and IT Chief Accountant		
Director	Director of Corporate Resources		
Relevant Portfolio Holder	Councillor E. Watts, Leader of the Council		

### **RELEVANT CORPORATE AIMS**

STRATEGIC ORGANISATIONAL DEVELOPMENT – to continually improve the efficiency and effectiveness of all Council Services by maximising the potential use of Council resources.

### **TARGETS**

All.

### **VALUE FOR MONEY**

Good financial management and reporting is essential to securing Value for Money

## **THE REPORT**

### **Background Information**

Within the Terms of Reference of the Budget Scrutiny Committee is the role of monitoring the Council's Budget on a quarterly basis.

In order to inform the July meeting of the Budget Scrutiny Committee, two reports are attached.

The first was taken to Executive on 2<sup>nd</sup> April 2012 and provided a Budget Update in respect of progress in achieving the agreed range of General Fund savings.

The Director of Corporate Resources will update the Budget Scrutiny Committee concerning the progress that has been made subsequent to the date of that report. Now that the Council's Draft Statement of Accounts in respect of 2011/12 have been concluded, officers within the Accountancy Team will now begin the process of preparing the First Quarter Monitoring

Report in respect of 2012/13, which it is anticipated will be reported to Members in August.

The second report is the Financial Outturn report in respect of 2011/12, which was reported to Executive on 2<sup>nd</sup> July 2012. An understanding of the Outturn position in respect of 2011/12 is crucial to an appreciation of the Council's current financial position. Again, further details regarding the financial outturn in respect of 2011/12 will be reported back to Members and this future report will include an assessment of the impact of the 2011/12 financial outturn upon the 2012/13 budget.

### **Summary of Results**

The purpose of the following sections of the outturn report is to provide an overview of the figures incorporated within the Draft Statement of Accounts and to provide an initial outline of the overall financial impact of the outturn upon the Council's financial position. It should be noted that a further report outlining the detailed variances between the budgeted and the outturn position will be brought to the next meeting of Executive. That report will include detailed explanations of any significant variations between the outturn position and the budget and will consider any impact of the closure of the 2011/12 Accounts on the approved Medium Term Financial Plan.

The following sections of the report provide a financial overview in respect of the General Fund, the Housing Revenue Account (HRA), and the Capital Programme, which constitute the main accounts of the Council. Members should also note that the figures provided within this report remain subject to External Audit.

### **IMPLICATIONS**

The Financial, Legal and associated implications are set out in the attached reports.

### **RECOMMENDATION that:**

Budget Scrutiny Committee consider the attached reports.

Committee:	Executive	Agenda Item No.:	11.
Date:	2 <sup>nd</sup> April 2012	Status	Open
Category	Decision within the functions of Executive		
Subject:	Budget Update		
Report by:	Director of Corporate Resources		
Other Officers Involved	N/A		
Director	Director of Corporate Resources		
Relevant Portfolio Holder	Councillor E. Watts, Leader of the Council		

#### **RELEVANT CORPORATE AIMS**

STRATEGIC ORGANISATIONAL DEVELOPMENT – to continually improve the efficiency and effectiveness of all Council Services by maximising the potential use of Council resources.

#### **TARGETS**

None directly applicable.

#### **VALUE FOR MONEY**

This report is concerned with updating Members of the position concerning the Council's General Fund and Housing Revenue Account budget for 2012/13. As such it does not have direct value for money implications.

#### **THE REPORT**

The Council agreed its Medium Term Financial in respect of both the General Fund and the Housing Revenue Account (HRA) at Council on the 15th February 2012. It was agreed at that stage that budgets and progress against the savings target would be reported back to Members on a regular basis.

This is the first of such reports and is concerned with monitoring progress in respect of the package of agreed savings in respect of the Council's General Fund Revenue Account.

#### **General Fund Budget Position**

At this stage in the financial year it is clearly too early to report on progress against the Council's overall budget position. However, in agreeing the Medium Term Financial Plan the Council adopted a strategy of pursuing a

range of savings that would be in place by April 2012. This section of the report updates Executive with the progress made against that savings target.

The financial savings as agreed by Council in February 2012 are set out within the Medium Term Financial Plan as follows:

Summary of Identified Savings:

Proposal	2012/13	2013/14
	£000's	£000's
Vacancy Saving (inc disestablishment of posts)	250	250
Environmental Health Review	100	180
Head of Service Review	120	120
Garage and Fleet Review	50	50
Other Strategic Alliance Reviews	150	150
Remove allowance for Pay Award	100	100
Reduction in non employee budgets	204	200
Essential Car User Review		200
Savings to be Identified	0	628
Overall Savings Target	974	1,878

The sections below provide a brief summary of the progress that has been secured in achieving each of the above savings:

Vacancy Savings £0.250m: These will need to be secured during the course of the financial year by an on going process of vacancy management. On the basis of current estimates approximately £0.1m should arise as a result of things such as maternity leave, employees 'purchasing' additional leave etc.

Given the limited levels of staff turnover currently being experienced it should be noted that this process will need to be very robust if this agreed target is to be achieved.

Environmental Health Review £0.1m: A Joint Service has now been instituted between Bolsover and North East Derbyshire as part of the Strategic Alliance which should generate the savings required.

Head of Service Review £0.120m: The detailed recommendations required in order to implement this restructure and achieve the appropriate savings were agreed by both Council's on the 28<sup>th</sup> March 2012. These recommendations will secure the necessary level of financial savings.

Garage and Fleet Review £0.050m: The outcome of this review has been agreed and is in the process of implementation.

Other Strategic Alliance Reviews £0.150m: This consists of a Corporate Services Review and a Street Scene review. The development of these

proposals is now largely complete and detailed proposals will be taken to Members in the near future.

Remove Allowance for Pay Award £0.1m : On the basis on recent announcements from the employers side it seems unlikely that any national pay offer will be made by the employers in respect of 2012/13. If this is the case then this budget saving should be achievable.

Reduction in Non Employee Budgets £0.204m: The accountancy team are in the process of developing a range of proposals to reduce budgets by the necessary amount. These proposals will be brought to Committee during April 2012 for formal approval.

While good progress is being made against all of the above targets it should be noted that the inevitable delay in implementing agreed policies means that full year savings will not be achieved in all areas. Future reports to Members will provide a more detailed analysis of the savings that will be secured in both 2012/13 and future years as the implementation of each stage is completed.

### **ISSUES/OPTIONS FOR CONSIDERATION**

Given that this report is brought for the purposes of updating Executive concerning progress against previously agreed actions there are no issues or options for consideration at this stage.

### **IMPLICATIONS**

#### **Risk:**

Given that this report is an update on previously agreed policies there are no additional risk implications arising directly out of this report.

Financial: Financial implications are covered throughout the report.

Legal: There are no legal issues arising directly out of this report.

Human Resources: There are no human resource issues arising directly out of this report.

### **RECOMMENDATION that:**

Executive notes the report.

### **REASON FOR DECISION TO BE GIVEN IN ACCORDANCE WITH THE CONSTITUTION**

**This report provides an update in respect of previously agreed decisions and therefore does not require any decisions from Executive at this stage.**

Committee:	Executive	Agenda Item No.:	
Date:	2nd July 2012	Status	Open
Category	Part of the Budget and Policy Framework		
Subject:	Draft Financial Outturn 2011/12		
Report by:	Director of Corporate Resources		
Other Officers Involved	Assistant Director Finance and IT Chief Accountant		
Director	Director of Corporate Resources		
Relevant Portfolio Holder	Councillor E. Watts, Leader of the Council		

#### **RELEVANT CORPORATE AIMS**

STRATEGIC ORGANISATIONAL DEVELOPMENT – to continually improve the efficiency and effectiveness of all Council Services by maximising the potential use of Council resources.

#### **TARGETS**

All.

#### **VALUE FOR MONEY**

Good financial management and reporting is essential to securing Value for Money

#### **THE REPORT**

##### **Background Information**

For purpose of complying with the Accounting Regulations, which apply to local authorities and in order to ensure effective financial management, the Council is required to prepare its draft Statement of Accounts by the 30<sup>th</sup> June. We have complied with that requirement and the information given below effectively provides a summary of the position included within the Statement of Account. A further more detailed report concerning the financial outturn in respect of 2011/12 for consideration by Members is currently in the process of being finalised and that will be presented to Executive on 30<sup>th</sup> July 2012.

##### **Summary of Results**

The purpose of the following sections of the outturn report is to provide an overview of the figures incorporated within the Draft Statement of Accounts and to provide an initial outline of the overall financial impact of the outturn upon the Council's financial position. It should be noted that a further report

outlining the detailed variances between the budgeted and the outturn position will be brought to the next meeting of Executive. That report will include detailed explanations of any significant variations between the outturn position and the budget and will consider any impact of the closure of the 2011/12 Accounts on the approved Medium Term Financial Plan.

The following sections of the report provide a financial overview in respect of the General Fund, the Housing Revenue Account (HRA), and the Capital Programme, which constitute the main accounts of the Council. Members should also note that the figures provided within this report remain subject to External Audit.

### **General Fund**

The General Fund Revenue Account is incorporated within the Comprehensive Income and Expenditure Statement in the Draft Statements.

A comparison of outturn expenditure with revised budgets is as follows:-

<b>Account</b>	<b>Revised Budget 2011/12 £</b>	<b>Outturn 2011/12 £</b>	<b>Variance 2011/12 £</b>
Community Safety	721,170	732,530	11,360
Customer Focused Services	1,047,120	904,487	(142,633)
Environment	4,776,620	4,682,677	(93,943)
Regeneration	774,240	786,292	12,052
Social Inclusion	1,118,150	1,053,783	(64,367)
Strategic Organisational Development	3,116,640	3,053,549	(63,091)
Reductions in non staffing budgets	(205,560)	0	205,560
Vacancies and other savings	(100,000)	0	100,000
<b>Net Cost of Services</b>	<b>11,248,380</b>	<b>11,213,318</b>	<b>(35,062)</b>
Depreciation Reversal	(307,670)	(434,255)	(126,585)
Debt Repayment (MRP)	377,510	377,511	1
Interest Charges	635,510	631,581	(3,929)
Interest Income	(235,990)	(245,094)	(9,104)
Financial Asset Impairment Reversal	0	(211,047)	(211,047)
	<b>11,717,740</b>	<b>11,332,014</b>	<b>(385,726)</b>
Contributions to Reserves			
- Transition Grant	1,590,797	1,590,797	0
- ICT & Office Equipment	75,250	75,250	0
- Local Development Scheme	50,000	50,000	0
- Vehicle Replacement Reserve	12,600	12,600	0
- Other Reserves	0	357,806	357,806
Contributions from Reserves	(1,086,760)	(1,228,133)	(141,373)

Contributions from Reserves – other reserves and balances	0	(105,676)	(105,676)
	<b>12,359,627</b>	<b>12,084,658</b>	<b>(274,969)</b>
Parish Precepts	2,209,512	2,209,512	0
<b>Total Net Expenditure</b>	<b>14,569,139</b>	<b>14,294,170</b>	<b>(274,969)</b>
Formula Grant (RSG and NNDR)	(6,258,939)	(6,258,939)	0
New Homes Bonus 2011/12	(117,290)	(142,491)	(25,201)
Council Tax Freeze Grant	(89,929)	(90,123)	(194)
Transition Grant	(2,310,878)	(2,310,878)	0
Collection Fund (Surplus)/Deficit	22,329	(2,283)	(24,612)
Transfer to General Fund Balances	0	324,976	324,976
<b>Council Tax Requirement</b>	<b>5,814,432</b>	<b>5,814,432</b>	<b>0</b>
Parish Council Tax Requirement	(2,209,512)	(2,209,512)	0
Bolsover DC Council Tax Requirement	(3,604,920)	(3,604,920)	0
<b>Total General Fund Funding</b>	<b>(5,814,432)</b>	<b>(5,814,432)</b>	

The outturn position shows an increase in the level of General Fund Balances of some £0.325m to a position of £1.389m. This is some £0.189m above the target that the Council set itself of £1.2m in the currently approved MTFP, and provides the Council with a level of balances that is more in line with its level of Financial Risk. The Council carries forward an unspent balance of Transition Grant of some £0.526m. However, there are also a number of commitments that have been carried forward into the new financial year.

Work to date indicates that these commitments will be covered by the level of funds carried forward. A detailed report will be brought back to the next meeting of the Executive in order to update Members concerning the use of the Transition Grant.

The improvement in the level of General Fund balance demonstrates an improvement in the Council's financial position as against the Revised Budget for 2011/12 as approved by Council in February 2012. The improved position has been generated from officers maintaining good management of their budgets throughout the financial year and from some areas where the outturn was favourable for the Council. These favourable variances have arisen from the part reversal of the financial asset impairment from the Icelandic investments (£211,047) and additional grant received in relation to the new homes bonus (£25,201). Secondly, in the process of preparing the accounts the opportunity has been taken to improve our accounting arrangements in respect of revenue grant accounts and balances held within the accounts.



This review of all the grant accounts and balances held by the Council has meant that some funds have been credited back to the General Fund (£130,288).

While the improvement in our balances is a welcome position it is important to note that the Council has made good progress in reducing its underlying level of revenue expenditure during the 2011/12 financial year. While the savings targets established at the outset of the financial year have not been achieved in full - in large part due to the costs and time associated with the introduction of savings measures – the underlying cost of the Council’s services at the outset of the 2012/13 financial year is significantly less than it was at the outset of the 2011/12 financial year. The ability of the Council to agree and to secure financial savings will be increasingly important in both the current and future financial years. Given the background established by the Comprehensive Spending review of autumn 2010 it is clear that both this and the next two financial years will be dominated by the requirement to secure savings in order to balance the Council’s budget. The manner in which those savings are delivered will be crucial in determining the quality of services that the Council is able to provide to its local residents. A planned process of securing financial savings together with an appropriate level of financial balances will help to ensure that the Council is able to continue to deliver good value services locally.

The impact on the level of the Council’s General Fund balances is set out in the table given below:

<b>GENERAL FUND</b>	<b>Revised Budget £,000</b>	<b>Outturn 2011/12 £,000</b>	<b>Variance £,000</b>
Opening Balance as at 1/04/11	(1,064)	(1,064)	0
Movement in year	0	(325)	(325)
<b>Closing Balance as at 31/03/12</b>	<b>(1,064)</b>	<b>(1,389)</b>	<b>(325)</b>

**Note:**

In the MTFP the Council set itself a target of restoring its level of General Fund balances to one of £1.2m in 2012/13 using Transition Grant to be received in 2012/13. The improved outturn position has allowed that level of balances to be reached at the end of the financial year 2011/12.

Given that the level of General Fund Reserves has improved by some £0.189m over the minimum level as agreed within the current MTFP this clearly represents an improvement over the revised budget position. While the improved position is welcomed Members should note that the level of balances remains only just above the previously agreed minimum level of £1.2m, and the Council needs to seek further improvement over the period of the current Medium Term Financial Plan. Given the level of financial risks faced by the Council and the challenges posed by the on going grant reductions associated with the current CSR the level of balances although above minimum levels remains below a desirable level. In the light of the pressures faced by the Council a balance of some £1.5m would represent a reasonable position and given the improvements that have been achieved in

this financial year this figure should be achievable by the end of the period of the current MTFP.

While it is appreciated that a level of balances above the minimum level is difficult to justify in the current financial climate it is important that the Council continues to recognise that by holding a level of balances above the minimum level that should either an overspend or an under achievement of income occur that a level of balances above the minimum level will allow the Council a period of time in which to recover the situation. In a situation in which the Council were operating with the minimum level of balances and an overspend or an under achievement of income occurred which took balances to below minimum level then immediate 'crisis' remedial action would need to be considered. Such a response is not conducive to sound financial management but more importantly would have a significant detrimental impact upon the Council's ability to deliver the planned and agreed level of services to local residents.

### **Housing Revenue Account**

A summary version of the Housing Revenue Account is set out below:

<b>Account</b>	<b>Revised Budget £,000</b>	<b>Outturn 2011/12 £,000</b>	<b>Variance £,000</b>
<b>Expenditure</b>			
Repairs and Maintenance	4,760	4,578	(182)
Supervision and Management	3,213	3,223	10
Special Services	699	554	(145)
Supporting People	1,003	872	(131)
Tenants Participation	101	95	(6)
Bad Debt Provision	100	67	(33)
Depreciation of Fixed Assets/ MRA	3,222	3,222	0
Interest Charges	312	347	35
Government Subsidy Payable	5,349	5,315	(34)
Debt Management Expenses	7	7	0
Self Financing – set up costs	0	31	31
Contribution to Insurance Reserve	50	50	0
<b>Total Expenditure</b>	<b>18,816</b>	<b>18,361</b>	<b>(455)</b>
<b>Income</b>			
Rents (inc Garages)	(17,573)	(17,216)	357
Charges for facilities & services	(625)	(720)	(95)
Contributions towards expenditure	(400)	(350)	50
Other Income	(13)	(14)	(1)

<b>Total Income</b>	<b>(18,611)</b>	<b>(18,300)</b>	<b>311</b>
<b>Net (Income) / Expenditure</b>	<b>205</b>	<b>61</b>	<b>(144)</b>

With regard to the Housing Revenue Account the actual deficit for the year was £0.061m which is £0.144m better than anticipated in the Revised Estimate. This means that the amount to be drawn from HRA balances is only £0.061m which leaves the balances at £1.023m.

Again while the position is welcomed Members should note that the level of HRA balances at £1.023m is only marginally above the previously agreed minimum level of £1m. It is important that further steps are taken to improve the level of HRA balances in the light of the level of risks that face the HRA which includes the self financing arrangements arising from the HRA reforms. While the localisation of the HRA is generally welcomed by local authorities it does need to be recognised that it does increase the level of both local financial responsibility and the associated level of risk.

### **Impact on Housing Revenue Account Balance**

The impact on the Housing Revenue Account balance is as follows:-

<b>HRA Balances</b>	<b>Revised Budget £,000</b>	<b>Outturn £,000</b>	<b>Variance £,000</b>
Opening Balance as at 1/04/11	(1,084)	(1,084)	0
Deficit in year	205	61	(144)
Closing Balance as at 31/03/12	(879)	(1,023)	(144)

The level of balances held in respect of the HRA has remained at just above minimum levels as a result of the 2011/12 outturn. The budget for 2012/13 includes a contribution to balances of some £0.334m and on the basis that this is achieved the Council's HRA should be benefitting from a level of balances of some £1.357m at the end of the current financial year (2012/13). This would put the Council in a considerably better position to manage its housing stock and to protect the level of services to local residents.

### **Capital Expenditure**

The capital expenditure and associated borrowing has been undertaken in accordance with the provisions of the Local Government Act 2003.

The Capital Programme may be summarised as follows:-

	<b>Revised Budget 2011/12 £000's</b>	<b>Outturn 2011/12 £000's</b>	<b>Variance 2011/12 £000's</b>
Environment	661	364	(297)
Regeneration	6,855	5,532	(1,323)
Social Inclusion	3,525	3,259	(266)

Strategic Organisational Development	369	400	31
HRA Self Financing settlement	94,386	94,386	0
<b>Total</b>	<b>105,796</b>	<b>103,941</b>	<b>(1,855)</b>

Overall expenditure was some £1.855m below budget. There are a number of variances within the capital programme which will be detailed as part of the outturn report to the Executive in July.

### **Capital Financing**

The Capital Programme was financed as follows:-

	<b>Budget 2011/12 £000's</b>	<b>Actual 2011/12 £000's</b>	<b>Variance £000's</b>
Major Repairs Allowance	(2,926)	(3,184)	(258)
Self Financing – prudential borrowing	(94,386)	(94,386)	0
Borrowing	(1,585)	(1,392)	193
Capital Grants and contributions	(3,877)	(4,064)	(187)
Capital Receipts	(1,602)	(179)	1,423
Revenue Contributions	(722)	(328)	394
Operating Leases	(652)	(356)	296
Contribution from Reserves	(46)	(52)	(6)
<b>Total Financing</b>	<b>(105,79)</b>	<b>(103,941)</b>	<b>1,855</b>

### **IMPLICATIONS**

Legal:

The Statement of Accounts is required to be prepared by the 30<sup>th</sup> June each year. The Council has now completed the accounts and they have been signed off by the Chief Financial Officer on the 30<sup>th</sup> June 2012 which secures compliance with the Council's legal obligations.

Financial:

The financial implications are set out within the body of the report. Further reports will be brought back to Members setting out the detailed variances in respect of the 2011/12 outturn and that report will consider whether the evidence from the outturn position will provide the opportunity for budgets in respect of 2012/13 and future years as set out within the Medium Term Financial Plan to be amended.

Members should note that the budgets against which we have monitored the 2011/12 Provisional Outturn were those agreed within the Council's Medium Term Financial Plan. The Medium Term Financial Plan gave careful consideration to both the affordability of the budgets that were approved and to ensuring that the level of balances remained adequate for purposes of enabling sound financial management. The fact that the provisional outturn

position for 2011/12 indicates that these financial targets have been achieved gives the Council a firm foundation from which to achieve the service delivery and financial targets approved within the Medium Term Financial Plan. While the fact that the Council has spent in line with the approved budget in respect of 2011/12 was an important element in protecting the financial stability of the Council it needs to be recognised that balances continue to be only just above a minimum level and that this necessitates that the Council continues to operate within approved budgets and particular that it achieves its efficiency targets in respect of 2012/13 and future years in order to protect the level of services to local residents.

Human Resources:  
There are no direct implications.

### **ISSUES/OPTIONS FOR CONSIDERATION**

Whether to approve the report.

### **RECOMMENDATION(S) that:**

1. Executive note the provisional financial outturn position in respect of 2011/12 as set out within this report.
2. That Executive requests that a further detailed report concerning the financial outturn 2011/12 be brought back to the next meeting of this Committee together with an assessment of the impact of that draft outturn on the Council's Medium Term Financial Plan.

### **REASON FOR DECISION TO BE GIVEN IN ACCORDANCE WITH THE CONSTITUTION**

**For purpose of complying with the Accounting Regulations which apply to local authorities and in order to ensure effective financial management the Council is required to prepare its draft Statement of Accounts by the 30<sup>th</sup> June.**

ATTACHMENTS:            **N**  
FILE REFERENCE:  
SOURCE DOCUMENT: