

Committee:	Executive	Agenda Item No.:	9.
Date:	19 <sup>th</sup> November 2012	Category	
Subject:	Second Quarterly Budget Monitoring Report	Status	Open
Report by:	Assistant Director of Corporate Resources		
Other Officers Involved:	Director of Corporate Resources 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**

This report is part of the budget process which challenges existing spending levels to ensure that resources are effectively used and directed towards the delivery of the Corporate Aims.

## **1 The Report**

- 1.1 To update Executive on the financial position of the Council following the second quarter's budget monitoring exercise for the General Fund, the Housing Revenue Account, the Capital Programme and in respect of Treasury Management activity.

## **2 Issues for Consideration**

### **General Fund Revenue Account**

- 2.1 Before detailed consideration of the General Fund budget is discussed it is important to inform Members that all recharges and notional charges (e.g. depreciation) within the budgets have now been excluded. This now leaves within each budget head the controllable costs of that cost centre; i.e. the direct cost attributable to the running of that area. Its aim is to present a

- clearer picture of the direct costs of each function, service and support cost centre to Members and Officers.
- 2.2 There have also been some changes made to how the budgets for Benefits are shown in the Council's accounts. The costs of processing and administration of benefits has now been split out from the costs of benefit payments and subsidies. Also, each of the benefit payment types now has their own cost centre. These can be seen within the corporate aim of Customer Focused Services. These changes have been done to comply with accounting requirements and to assist in managing the changes being introduced for Council Tax Benefits and other welfare reforms.
- 2.3 Accounting accruals have been completed throughout this monitoring statement to account for expenditure incurred but not yet paid and income due but not received to present a true position for monitoring.
- 2.4 The budget monitoring position for the second quarter is summarised in **Appendix 1**. A comparison of the profiled budget against the actual expenditure to date shows an over spend at the end of the second quarter of £0.107m. The over spend covers many variances within the budgets but effectively reflects a shortfall of delivered savings against targets at the half year point.
- Issues to report
- 2.5 The detailed cost centre monitoring statement is shown on **Appendix 2**. Comments have been added to explain some of the main variances identified at the half year point. In the end 3 columns savings have been identified that as yet have not been transferred against the savings targets. The savings identified amount to £0.130m and when they are transferred will reduce the savings target down to £0.243m. Efforts to contain expenditure and maximise income is ongoing and officers expect to see the savings target continue to reduce as the year progresses.
- 2.6 Increased financial control is being applied to the coding analysis of expenditure in the accounts. As a result officers have seen that expenditure that had previously been treated as capital expenditure is now being correctly charged to the General Fund repairs and maintenance budgets. However, as a result it is now noticeable that many of the repair and maintenance budgets are under pressure.
- Summary
- 2.7 To summarise, the budget monitoring position at the half year shows an overall net overspend of £0.107m. This indicates that the overall savings target of figure of £0.243m is a good forecast assessment at the half year point in time based on the current budgets that officers are working to. Officers are continuing to examine and identify efficiencies and savings and this ongoing work is expected to reduce this figure with an aim to break even by the end of the financial year.
- 2.8 Officers within the Finance Team are currently preparing the Revised General Fund Budgets and detailed discussions have been held with all budget officers

and managers during October. The revised budget is expected to be completed in early November and any changes to the figures above will be reported to Members at the meeting.

### **Housing Revenue Account (HRA)**

2.9 The Housing Revenue Account in respect of the first half year of 2012/13 is set out in **Appendix 3** to this report.

2.10 Expenditure

HRA expenditure is running in line with expectations and shows an under spend at the end of the second quarter of £0.114k. At this stage officers do not expect any significant variances at the year end in the expenditure budgets.

2.11 Income

Income from rents is now in line with the current budget (note this budget was amended in the quarter 1 report to reflect the level of properties that are vacant awaiting demolition and replacement). Other income budgets show some variances but are expected to outturn in line with the approved budgets.

2.12 Interest

The Interest charges budget was reduced in quarter one by £1.150m to reflect the savings achieved on the interest rates on loans taken to meet the HRA self financing settlement. A half year review of all interest budgets has been undertaken and further savings are expected to accrue arising from the Treasury Management activity managed within the Accountancy Section. The effective use of internal borrowing has reduced the interest charges to the HRA by an estimated £0.039m for the first half year.

2.13 Summary

The net position at the half year point shows that the HRA has a net under spend of £0.196m. Some of this under spend will balance out as the year progresses and work is undertaken. Officers are now commencing the revised budget process for the HRA and detailed work will be undertaken on every budget line to assess the revised budget required and set the base budget for 2013/14. This work is coupled with detailed work on the HRA business plan that is being reviewed following the HRA reforms and the end of the Government Subsidy arrangements. In particular options to commence earlier than planned the repayment of the debt settlement and future capital investments plans financing requirements will be considered.

### **Capital Investment Programme**

2.14 **Capital Expenditure and Resources**

The second quarter monitoring position in respect of the Capital Programme is provided in **Appendix 4** to this report.

The Appendix is also split into 2 sections the first section shows the Housing Revenue Account Capital Schemes and the second section the General Fund Capital Schemes.

2.15 Housing Revenue Account – Capital

The variance column (7) shows that the programme is behind the profiled budget by £0.655m at the end of the second quarter. A detailed review and re-profiling exercise is planned for November that will look at all the individual HRA capital schemes. The current programme is fully financed for the year and there are no issues to report to Members at this stage.

2.16 General Fund – Capital

The monitoring statement shows the General Fund capital programme for 2012/13 (£14.397m) and the actual expenditure and commitments against the profiled budget. At the end of the second quarter the monitoring statement shows that £6.723m has been spent or committed which is £0.316m below the profiled budget. The financing of the programme at the end of the second quarter shows that £4.500m of prudential borrowing is required; no external borrowing has been undertaken i.e. internal Council balances and cash flow balances have been utilised.

2.17 It is now clear that there will be a delay in the concluding some key asset sales which means there is likely to be a shortfall of capital receipts available to finance the current year capital programme. This will require that further prudential borrowing will be undertaken during the second half year to cover the financing of the capital programme until the receipts are received. Once the receipts are received the prudential borrowing will be repaid.

2.18 Summary

The Capital Programme is currently progressing in line with the approved budgets for 2012/13. The delay in capital receipts means that the Council will need to undertake some prudential borrowing over the short term to cover the financing requirements of the programme.

### **Treasury Management**

2.19 A brief report on the treasury management activity during the first half year is shown as **Appendix 5**. The impact of the current borrowing strategy has been reported in both the HRA and General Fund sections of this report. There are no other significant issues to report.

Under the CIPFA Code of Practice a detailed half year monitoring report in respect of Treasury Management has been reported to Council.

### Risk Management

2.20 The issue of Financial Risks is covered throughout the report. In addition, however, it should be noted that the risk of not achieving a balanced budget is outlined as a key risk within the Council's Strategic Risk Register. While

officers are of the view that these risks are being appropriately managed it needs to be recognised that there are pressures on all of the Council's main budgets and that an overspend of £0.107m is reported as the position at 30 September 2012.

### **IMPLICATIONS**

Financial: Financial implications are covered in the relevant sections throughout this report.

Legal: The Council has a responsibility to operate within the context of a balanced budget

Human Resources: None

### **RECOMMENDATION**

**That the Executive notes the report on the position on the Council's budgets at the end of the second quarter of the 2012/13 financial year and the Treasury Management activity for the same period.**

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

To inform Executive of the position on the Council's budgets at the end of the second quarter of the 2012/13 financial year and the Treasury Management activity for the same period.