

Committee:	Executive	Agenda Item No.:	6.
Date:	30 th July 2012	Status	Open
Category:	3. Part of the Budget and Policy Framework		
Subject:	Detailed Financial Outturn 2011/12		
Report by:	Assistant Director Finance and IT Chief Accountant		
Other Officers Involved			
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.

1 Purpose of Report

- 1.1 To inform the Executive of the detailed outturn position in respect of the 2011/12 financial year.

2 Background Information

- 2.1 A report was presented to Members on 2 July 2012 which outlined the overall position on the General Fund, Housing Revenue Account (HRA) and Capital Programme for the year ended 31 March 2012. This report provides more detail of the outturn position for the previous financial year and includes a section in relation to Treasury Management performance and activity during 2011/12.

- 2.2 The Council has closed its financial accounts for 2011/12 in line with the required deadline of 30 June 2012. The Draft Statement of Accounts is now subject to independent audit from the Council's external auditors, the Audit Commission. Until the accounts have been agreed by our external auditors, which will take place before 30 September 2012, there remains the possibility that the outturn position as set out within this report will be subject to amendment.
- 2.3 The following sections of this report will consider the 2011/12 outturn position in respect of the General Fund Revenue Account, the Housing Revenue Account (HRA), the Council's Capital Investment Programme and Treasury Management activities. Within the report consideration is given to the level of balances at the year end, to any impact on the Council's Medium Term Financial Plan of the outturn position, and a provisional assessment of the impact which the closing position has upon the Council's budgets in respect of the current financial year.

3 Issues for Consideration

General Fund Revenue Account

- 3.1 The position on the General Fund Revenue Account for 2011/12 is set out in **Appendix 1** attached. The headline figure shows a net under spend of £0.325m. This means that the net cost of all services, the efficiency savings targets and the restructuring costs incurred in the year have been fully financed and that a balance of £0.325m remains which is added to General Fund balances at the year end.
- 3.2 The overall under spend 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 (£0.211m), additional grant received in relation to the new homes bonus (£0.025m) and from a general review of all the grant accounts and balances held by the Council (£0.130m). This overall under spend has been achieved with minimal impact on the quality of services provided to the people of Bolsover. The full detail of the General Fund outturn is detailed at **Appendix 2**.
- 3.3 Transition Grant
The Council received £2.311m of transition grant in 2011/12 in order to cushion it from the full impact of the Comprehensive Spending Review reductions in Government Grant. The Council spent £1.784m of the transition grant during 2011/12 which leaves a balance of £0.527m to be carried forward into 2012/13. **Appendix 3** details the use of the transition grant during 2011/12. The appendix also shows that £0.524m of the available balance is committed expenditure that will be spent during 2012/13.
- 3.4 It should be noted that the figures shown within the first three appendices that relate to the General Fund are compared against the revised budgets before the year end accounting transactions. This approach is more appropriate for

highlighting the performance of managers in controlling budgets during the year. In future to increase the focus on controllable expenditure and income it is proposed to take out recharges and depreciation charges from departmental budgets. These transactions will still need to be applied within the accounts but they will form part of the year end accounting transactions only.

3.5 Now that the final accounts are complete officers in Accountancy will be undertaking a review of all General Fund budgets to consider where planned reduction in non staffing budgets can be achieved. The variances identified at out turn will form part of this on going review. A report concerning the outcome of this review and the first quarters monitoring for 2012/13 will be presented to Executive in September 2012. This will include any further recommendations for budget changes following the quarter one monitoring.

3.6 Overview

The financial outturn, although better than anticipated, needs to be assessed in terms of the future sustainability of the Council's financial position. In order to finance the 2011/12 budget some £0.720m of transition grant was utilised to support the base budget and a further £0.365m on specific schemes that supported service delivery (highlighted on appendix 4). The base budget was therefore supported by £1.085m of transition grant that will not be received after 2012/13. While this grant has been utilised to help secure reductions in the Council's underlying level of revenue expenditure it needs to be recognised that Transition Grant will not be available after 2012/13. The Council therefore needs to continue with its plans to secure ongoing revenue savings and regular reports will be brought back to Executive outlining progress in the delivery of the savings required.

Housing Revenue Account (HRA)

3.7 The Housing Revenue Account in respect of 2011/12 is set out in **Appendix 4** to this report. In overall terms the HRA recorded a deficit of £0.061m which was £0.144m better than anticipated in the Revised Budget. The deficit leaves the HRA balances at a level of £1.023m which is marginally above the previously agreed minimum level of £1m.

3.8 Under spends were recorded in most areas of the expenditure budgets and reflect how the HRA has been managed in order to balance the account within the year. With regards the total rental income shows this adverse variance of £0.357m much of which arose due to a higher than anticipated level of void properties.

3.9 On the 28 March 2012 the HRA self Financing Settlement was completed which saw the Council pay £94.386m to the Government to buy its way out of the subsidy system. To finance this expenditure the Council drew back external investments of £6.386m and borrowed £88.000m from the Public Works Loan Board. The impact on the HRA in 2011/12 was a charge of £0.030m as borrowing set up costs and additional interest costs of £0.031m.

3.10 The interest rates secured in the PWLB borrowing to finance the self financing settlement were better than anticipated and will allow the HRA greater

freedom of manoeuvre in the early years of the new system. The first quarter monitoring in 2012/13 will provide further details of the interest savings against budget and explore what options this presents to the HRA.

3.11 Although the HRA balances are better than forecast the level at £1.023m remains below an appropriate level. The budget for 2012/13 aims to secure a further increase in balances by £0.334m. This will help ensure an adequate level of reserves with which to manage the impact of the introduction of the HRA reform proposals and mitigate the increased risks now carried by the Housing Revenue Account.

3.12 Overview

The HRA reforms associated with self financing means that the HRA is free from the requirement to make negative subsidy payments to the Government. However the HRA must now finance a debt of £100.898m and is no longer cushioned from variances in interest rates, management and supervision allowances, repairs allowances and major repairs allocations which the subsidy system provided. Coupled with the impact of new welfare reforms, the revitalised RTB scheme and the rents convergence requirements have all increased the level of risk faced by the HRA. The level of balances at 31 March 2012 of £1.023m does not provide sufficient mitigation of that risk and as such the Council's MTFP has factored in an increase in the level of HRA balances to a more appropriate level.

Capital Investment Programme

3.13 The outturn position in respect of the Capital Programme is provided in **Appendix 5** to this report. In headline terms the latest approved capital programme budget was £105.796m for 2011/12 while the actual expenditure incurred in the year was £103.941m which is £1.854m below the anticipated outturn. The under spend mainly relates to minor delays in the delivery of a number of schemes. An analysis of each scheme has determined that a sum of £2.468m is required to be carried forwarded into 2012/13. The details of the carried forward requests per scheme are shown on Appendix 5.

3.13 The actual financing of the 2011/12 capital programme shown on appendix 5 varied quite significantly from the forecast financing arrangements. This reflected the variances in the spend on particular schemes, the delay in securing capital receipts, the view being reached that certain costs would be more appropriately charged against revenue and the decisions to switch some capital expenditure away from the Transition Grant financing to prudential borrowing. The carry forward capital programme requests amount to £2.468m of which £1.857m related to General Fund and £0.611m relates to the HRA.

Reserves and Balances

3.14 The summary position with respect to the level of Reserves and Balances at 31 March 2012 is set out in **Appendix 6** to this report. Both the General Fund and HRA are in a better position at the year end than was forecast within the Medium Term Financial Plan. However, in the view of the Chief Financial

Officer, both these accounts have levels of balances which while above minimum levels do not fully reflect the increased level of financial risk faced by both this and other local authorities. In the light of the limited levels of balances available the Council will need to continue to operate within approved budgets and to secure its efficiency targets in order to protect and if possible improve the balances on these accounts. While the financial outturn for 2011/12 has strengthened the Council's financial position the Council will need to continue to meet its efficiency targets if it is to retain its position of financial stability against the background of the ongoing impact of the CSR settlement.

Treasury Management

3.15 **Appendix 7** provides a brief report on the Treasury Management activity of the Council for 2011/12. The report also provides more detail of the HRA self financing settlement arrangements and an update on the Icelandic investment position.

3.16 Overview

During March 2012 officers reduced the level of temporary investments held by the Council at any one time by effectively under borrowing by £6.486m for the HRA self financing settlement. This has reduced the level of investments held at any one time from £11m to around £5m. These actions help reduce the risks carried with temporary investments in the current climate and should also reduce interest costs. The PWLB borrowing profile for the HRA self financing settlement aligns PWLB debt repayments with the HRA 30 year Business Plan so that the Council's external debt is reduced over the same time period as HRA funds are generated for the repayment of debt.

Legal Aspects

4.1 There are no legal issues arising directly from this report.

5 Risk Management

5.1 The issue of Financial Risks is covered throughout the report.

6 Policy and Performance

6.1 This report is intended to monitor progress in achieving the objectives set out within the Medium Term Financial Plan, this in turn being linked to the full range of the Council's Corporate Strategies. The achievement of the targets set out in the Medium Term Financial Plan has therefore a key role in ensuring that the Council achieves its corporate priorities.

7 Financial Implications

7.1 Financial issues and implications are covered in the relevant sections throughout this report. The overall position shows an improvement against the Council's Medium Term Financial Plan 2011/2014, and as such there are no additional financial implications arising from this report.

Moving into 2012/13 the delivery of the required financial savings for 2012/13 and 2013/14 is imperative if the Council is to avoid any negative impact upon balances. Officers will continue to closely monitor the financial position of the Council and report back on a regular basis to Executive.

8 Equalities Issues / Human Resources Implications / Environmental Considerations

8.1 There are no equalities, human resource or environmental implications arising directly out of this report.

9 Crime and Disorder/ Community Safety Implications

9.1 There are no crime and disorder or community safety implications arising directly out of this report.

RECOMMENDATIONS

That Members note the report and in particular the financial outturn position in respect of 2011/12, and approve:

- a) **The proposal by the Chief Financial Officer to improve the budgetary control of controllable income and expenditure budgets by the removal of recharges and depreciation charges from the General Fund budgets until the year end.**
- b) **The carry forward requests totalling £2.468m for the individual capital schemes detailed in Appendix 5.**
- c) **That a further report providing an update in respect of the Medium Term Financial Plan be brought to the next meeting of Executive.**

REASON FOR DECISION TO BE GIVEN IN ACCORDANCE WITH THE CONSTITUTION

To inform Members of the Council's financial outturn in respect of 2011/12 and to agree proposed carry forwards from 2011/12 to 2012/13 in respect of the Council's Capital Programme.

ATTACHMENTS: Y
FILE REFERENCE:
SOURCE DOCUMENT: