

Committee:	Executive	Agenda Item No.:	7.
Date:	4 th March 2013	Category	
Subject:	Budget Monitoring Report – Quarter 3	Status	Open
Report by:	Assistant Director of Corporate Resources		
Other Officers Involved:	Chief Accountant / Principal 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 third 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 The Current Budget reflects the revised budget position for the Council and the latest budget transfers requested by budget managers. The overall position shows that there is in effect a balanced budget for the Council for 2012/13 and officers are managing their budgets against this position.

- 2.2 Officers have introduced an integrated approach to budget monitoring in the third quarter of 2012/13 with Performance, Risk and Finance being considered together at Directorate meetings held during January and February 2013. The scope of this report is to summarise the current financial position following the 2012/13 third quarter monitoring exercise as part of the wider exercise which has considered Finance, Performance and Risk.
- 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 yet received to present a more accurate position for monitoring.
- 2.4 The budget monitoring position for the third quarter is summarised in **Appendix 1**. A comparison of the profiled budget against the actual expenditure to date shows that each Directorate shows an under spend against their profiled budget at the end of the third quarter. The net under spend (£0.191m) at this stage is shown as a reduction in the amount to be used from the Transition Grant budget that was approved to support the General Fund in 2012/13.

Issues to report

- 2.5 The detailed cost centre monitoring statement is shown at **Appendix 2**. Comments have been added to the appendix to explain some of the main variances identified at the third quarter point. Items to bring to Members attention relate to:
- Health and Wellbeing – Bolsover Wellness Programme – there is an outstanding grant claim at quarter three of an estimated £75,000. Officers are following up this outstanding claim.
 - Neighbourhood – Waste Collection and Grounds Maintenance – a high level of sickness has been reported within these service areas that has required an increase in overtime and the use of casual employees to maintain service levels. At the present time an over spend is forecast within these costs centres of up to £30,000. Officers are seeking to manage the over spend position within the overall Directorate budget.
 - Corporate Budgets – New Homes Bonus (NHB) – it has been identified that some of the NHB received late in 2011/12 related to this financial year. As a result this financial years figure will show a reduction of £17,748.
 - Corporate Budgets – Use of Revenue Reserves. This is where the net under spend position at the end of quarter three for all Directorates is brought together (-£0.191m). The net impact at this point of the year is that a lower amount of the Transition Grant is required than budgeted.
- 2.6 Increased financial control is continuing to be applied to the coding analysis of expenditure within the accounts and officers within the Accountancy Section are noticing that fewer budget transfer requests are being received now that the revised budget process has been completed.

The controls are continuing to be applied to all expenditure and transactions that had previously been treated as capital expenditure are now being correctly charged to the General Fund repairs and maintenance budgets. The

latest budget monitoring work has identified that further General Fund budget pressures are anticipated from work that has been undertaken on Closed Churchyards and various Engineering works. There is an estimated £15,000 of expenditure - that would have previously been charged to capital - where there is insufficient or no General Fund budget available. The associated capital budget has been removed to prevent this occurring again.

The Accountancy Section is also actively monitoring and managing the current budgets and where any savings are identified the current budget is amended straight away thereby ensuring the saving is captured and that it counts towards the corporate savings at the earliest opportunity.

Summary

- 2.7 To summarise, the budget monitoring position at the third quarter shows an overall net under spend of £0.191m. This indicates that the overall General Fund net expenditure at this point in time is within the profiled budget. There are some budget pressures to note which will reduce this under spend as we move into the last quarter of the financial year. However, officers are continuing to examine and identify efficiencies and savings and this ongoing work is expected to assist in achieving the aim to break even by the end of the financial year. To the extent to which it proves possible to achieve any under spend this will be used to increase the level of General Fund balances as set out within the MTFP.

Housing Revenue Account (HRA)

- 2.8 The Housing Revenue Account in respect of the first nine months of 2012/13 is set out in **Appendix 3** to this report.

2.9 Expenditure

HRA expenditure has some variances at the third quarter point and they show as a net under spend of £0.272m. Officers have held back some expenditure plans pending the outcome of the stock condition survey work which is currently underway and the impact that this may have on the HRA work programmes. It is therefore anticipated that there will be an under spend in the current financial year.

2.10 Income

Income from rents is in line with the current budget (above budget by £0.015m). Other income budgets show favourable variances against the profiled revised budgets (above budget by £0.111m). If these favourable variances continue they will exceed the forecast revised budget for the year.

2.11 Summary

The net position at the third quarter point shows that the HRA has a net under spend of £0.400m. Some of this under spend will balance out as the year progresses and work is undertaken but it is anticipated that the account will show an overall under spend against the revised budgets for the financial year.

Capital Investment Programme

2.12 **Capital Expenditure and Resources**

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

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

2.13 Housing Revenue Account – Capital

A detailed review and profiling exercise has been undertaken that examined all the individual HRA capital schemes in the programme. The revised programme shows in the variance column shows that the programme is below the profiled budget by £0.537m at the end of the third quarter. The current programme is fully financed for the year and there are no issues to report to Members at this stage.

2.14 General Fund – Capital

The monitoring statement shows the General Fund revised capital programme for 2012/13 (£11.345m) and the actual expenditure and commitments against the profiled budget. At the end of the third quarter the monitoring statement shows that £7.996m has been spent or committed which is £0.887m below the profiled budget. The overall under spend is caused by a number of issues; some schemes are running behind schedule or delayed, some are actually under spent against the budget and some are being held back to assist the Council with financing issues in the year. The financing of the programme at the end of the third quarter shows that £5.642m of prudential borrowing is required; no external borrowing has been undertaken to cover this sum i.e. internal cash flow balances have been utilised.

2.15 It is now clear that there will be a delay in the concluding some key asset sales which means there will 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 final quarter to cover the financing of the capital programme until the receipts are received. This prudential borrowing has been agreed by Council and pending the achievement of these receipts further capital expenditure commitments in respect of the General Fund Programme will be minimised. Once the receipts are received the prudential borrowing will be repaid.

2.16 Summary

The Capital Programme is currently progressing at a slower pace than indicated in the profiled revised approved budgets for 2012/13. This position means there are no budget pressures to report. 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 nine months of the year is shown as **Appendix 5**.

2.20 Summary

No long term borrowing has been undertaken in the period to December 2012. All prudential borrowing identified in the capital programme is being financed from available cash flow balances of the Council. External interest charges for the year will be £3.693m and investment interest earned is anticipated to be £0.025m (excluding the Iceland investment). As the Council moves into the final quarter cash flow balances will reduce (lower Council Tax receipts and quarter four capital expenditure) and therefore the level of external investments will also reduce.

During the first nine months the Council continued to operate within the treasury limits set out in the Borrowing and Investment Strategy. The latest Treasury Management Strategy updates these limits which will apply from the date they are approved by Council.

Risk Management

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

2.22 General Fund

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. Officers are of the view that these risks are being appropriately managed and although there are a number of pressures on the General Fund budget it is forecast that the Council will achieve a balanced budget for 2012/13.

2.23 HRA

The level of risk within this account is lower as expenditure budgets are below the profiled revised budgets and income is showing favourable variances at the third quarter.

2.24 Capital

Capital expenditure plans are currently a lower risk as most schemes are running behind the profiled revised budgets.

2.25 Capital Financing

The delay in achieving the planned level of capital receipts has been the major risk area which officers have had to manage through short term prudential borrowing arrangements. The Council currently carries the cost of the short term prudential borrowing through reduced investment income as it uses available internal cash flow balances to effectively finance the capital outlay.

2.26 Treasury Management

Controls are operating effectively and all investments are closely monitored to ensure they comply with our approved Strategy. The use of internal cash flow balances to cover capital outlay has reduced the level of investments available to the Council and as such reduced the risk on investments.

IMPLICATIONS

Financial: Financial issues and 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 third 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 third quarter of the 2012/13 financial year and the Treasury Management activity for the same period.

ATTACHMENTS: Y

FILE REFERENCE:

SOURCE DOCUMENT: