



## CABINET REPORT

Report Title	FINANCE AND MONITORING REPORT 2012/2013
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**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	10 July 2013
<b>Key Decision:</b>	No
<b>Listed on Forward Plan:</b>	Yes
<b>Within Policy:</b>	Yes
<b>Policy Document:</b>	No
<b>Directorate:</b>	Resources
<b>Accountable Cabinet Member:</b>	Cllr A Bottwood
<b>Ward(s)</b>	N/A

### 1. Purpose

- 1.1 This report sets out the outturn position for the Council's General Fund, Housing Revenue Account (HRA), and Capital Programme for the financial year 2012/13.

### 2. Recommendations

- 2.1. That Cabinet note the draft outturn for the General Fund and Housing Revenue Account for the financial year 2012/13 as set out at **Appendix 1** and **Appendix 7**.
- 2.2 That Cabinet note the net contribution to General Fund Revenue Reserves of £863k, and the detailed movements in Earmarked Reserves shown in **Appendix 4**.
- 2.3 That Cabinet note the net movement in Housing Revenue Account Reserves and working balances as set out at **Appendix 8**.
- 2.4 That Cabinet note the draft outturn for the Council's Capital Programme for 2012/13 and how the expenditure was financed as set out at **Appendix 9**.

- 2.5 That Cabinet approve the carry forward of unfinished capital schemes from 2012/13 into the 2013/14 Capital Programme as set out at **Appendix 9**.

### 3. Issues and Choices

- 3.1 The Council's budget is divided across two accounts, the General Fund and the Housing Revenue Account (HRA). These two accounts, together with their respective sources of funding, are kept entirely separate from each other as required by statute. HRA expenditure and income relate solely to the Council's role as a housing landlord, whilst the General Fund encompasses all other services.

#### 3.2 General Fund

- 3.2.1 The General Fund forecast outturn for controllable service budgets as at Period 10 was an overspend of £35k.
- 3.2.2 Draft outturn for 2012/13 in relation to controllable service budgets shows an underspend of £423k, as listed in **Table 1** below and detailed in **Appendix 1**.

<b>Table 1 - Controllable Service Budget Outturn</b>	<b>Revised Budget £000</b>	<b>Outturn £000</b>	<b>Variance £000</b>
Director of Regeneration, Enterprise and Planning	3,042	2,808	-234
Director of Resources	10,441	10,354	-87
Director of Housing	1,055	1,070	15
Borough Secretary	1,999	1,958	-41
Director of Customers and Communities	15,276	15,200	-76
<b>Total Controllable Spending</b>	<b>31,813</b>	<b>31,390</b>	<b>-423</b>
Debt Financing and Recharges	-30,771	-30,773	-2
Non-specific Grants (mainly New Homes Bonus)		1,471	-1,471
<b>Outturn after technical adjustments</b>	<b>471</b>	<b>-885</b>	<b>-1,326</b>

- 3.2.3 This figure is £458k less than the outturn forecast at Period 10. **Appendix 2** provides a comparison between the Period 10 forecast and actual outturn.
- 3.2.4 Major variations between the revised budget and outturn, which are set out in more detail in **Appendix 3**, are as follows:-
- 3.2.4.1 Regeneration, Enterprise and Planning
- £197k staff savings across the directorate
  - £100k savings arising from additional income from development control fees due to an increase in volume late in the year
  - Offset by insurance claims of £67k in relation to paid and potential claims.
- 3.2.4.2 Resources
- £30k savings on Occupational Health and Nurse Led contracts
  - £79k saving in internal and external audit fees
  - £55k saving in bank charges and cash collection
  - £53k saving on energy prices and
  - £76k saving on financial adjustments to clear balances
  - Offset by £262k additional costs of rent rebates in respect bed and breakfast accommodation for homeless people

#### 3.2.4.3 Housing

- Overall savings from staff vacancies £204k across the directorate
- Savings in relation to the Ecton Road travellers site of £60k
- Overspend of £401k in Call Care as a result of loss of income and other related costs
- £92k increased costs as a result of demand from Home Choice and Housing Options schemes
- Additional income from management fees in relation to capital projects capitalisation of £233k

#### 3.2.4.4 Borough Secretary

- Additional income from Right To Buy sales of £79k
- Savings on Members' training and expenses of £33k

#### 3.2.4.5 Customers and Communities

- Net savings on employees of £80k across the directorate.
- Savings on security and utility bills at the bus station £70k
- Savings on leasing of IT equipment £90k
- £37k net savings on telephony through reduced maintenance costs and better contracting, offset by additional telephony costs
- £50k net savings as a result community centre transfers
- £41k saving arising from lower take up of the rat control service than anticipated
- Net savings of £62k on Markets through the better realisation of resources
- Lower NNDR costs on car parks £102k
- Reduced car parking income £166k after application of the car park reserve.

3.2.5 Many of the outturn variations have already been addressed as part of the 2013/14 budget setting process. Nevertheless all outturn variations are being reviewed to identify on-going issues which need to be reflected within the current forecast and future year budgets.

3.2.6 Further details regarding recommended budget revisions and management actions required to ensure that the budget remains in balance will be included in the next budget monitoring report to Cabinet. This will provide a robust basis for the Medium Term Financial Strategy and service delivery planning.

3.2.7 The General Fund outturn for 2012/13, after technical accounting adjustments, is an underspend of £1.326m as detailed in **Appendix 1**.

### **General Fund Balances**

3.2.8 The Chief Finance Officer has undertaken a risk-based assessment of working balances. This assessment suggests that, taking all known risks into account along with the Council's gross expenditure requirement, the minimum level of balances should be in the order of £3m. The unaudited outturn shows that this can be achieved as at 31 March 2013.

3.2.9 The Council also holds General Fund earmarked reserves of £17.072m to mitigate specific risks to which the Council may be exposed, including the need for service improvement. These are detailed in **Appendix 4**.

3.2.10 After a net contribution to earmarked reserves of £863k, it has been necessary to draw £8k from general balances, leaving a working balance carried forward to underpin the 2013/14 budget of £3.123m, as shown in **Table 2** below.

<b>Table 2 - General Fund Balances</b>	<b>£000</b>
Balance as at 1 April 2012	3,131
Surplus/(Deficit) for the year	-8
<b>Balance as at 31 March 2013</b>	<b>3,123</b>

### 3.3 Housing Revenue Account

3.3.1 The revised 2012/13 budget was balanced to break-even after allowing for a contribution of £5.922m to HRA reserves.

3.3.2 Period 10 budget monitoring (**Appendix 7**) forecast a net underspend on direct costs of £1.084m. The net underspend, after technical accounting adjustments, was forecast at £0.196m, with a revised contribution to reserves of £6.118m.

3.3.3 The draft HRA outturn position shows an underspend on controllable spending of £1.499m. After technical accounting adjustments this underspend is £0.287m, an improvement against the period 10 forecast of £0.091m. This allows for an increased contribution to reserves of £6.209m, while the HRA working balance remains unchanged at £5m.

3.3.4 Cabinet is asked to note these contributions to reserve levels.

3.3.5 **Appendix 5** provides a summary of the HRA. Major variations in HRA income and expenditure against revised budget are detailed in the analysis and notes contained in **Appendix 6**.

### Major Variances

3.3.6 **Table 3** below summarises the main variances detailed in **Appendix 6**. All outturn variations are already being reviewed to identify ongoing issues which need to be reflected within the current forecast and future year budgets.

<b>Table 3 – HRA Service Budget Outturn</b>	<b>Revised Budget £000</b>	<b>Outturn £000</b>	<b>Variance £000</b>
Rent Income - Dwellings	-46,572	-46,810	-238
Service Charge income	-2,453	-2,261	192
General Management	6,469	5,539	-929
Special Services	3,273	3,474	200
Rent Rebate Subsidy Deductions	643	0	-643
Capital Charges	11,394	12,236	842
Interest and Financing	6,072	6,351	279
Other Minor Variations	15,252	15,262	10
<b>HRA Net Expenditure 2012/2013</b>	<b>-5,922</b>	<b>-6,209</b>	<b>-287</b>
Net Contribution to/(from) Reserves	5,922	6,209	287
<b>Housing Revenue Account Deficit/(Surplus)</b>	<b>0</b>	<b>0</b>	<b>0</b>

3.3.7 The major variations between the revised budget and outturn, which are set out in more detail in **Appendix 6**, are as follows:-

3.3.8 General Management:-

- Savings of £334k as a result of Stock Options works funded by the earmarked reserve prudently set up last year end
- £314k corporate insurance lower costs, and
- £70k reduction in utilities and Council Tax costs reflecting lower void levels than budgeted.

3.3.9 Other Major Savings:-

- Rent Rebate Subsidy deductions £643k lower due to the de-pooling of service charges
- £46k net rent and service charge income due to better performance on voids than budgeted.

3.3.10 Offset by:-

- £842k increase in Capital Charges and £279k Interest and Financing as a result of as a result of the implementation of the self-financing HRA, as reported throughout the year.

3.3.11 Further details regarding recommended budget revisions and management actions required to ensure that the budget remains in balance will be included in the next budget monitoring report to Cabinet. This will provide a robust basis for the Medium Term Financial Strategy and service delivery planning.

### **Contribution to HRA Working Balances and Reserves.**

3.3.12 The total balance on all HRA reserves and balances at 31 March 2013 is £17.549m. **Appendix 8** details the movement to and from HRA reserves, excluding working balances. Contributions to and from working balances and earmarked reserves are summarised in **Table 4** below.

<b>Table 4 – HRA Working Balances and Reserves</b>	<b>Balance 1 April 2012 £000</b>	<b>Movement in Year £000</b>	<b>Balance 31 March 2013 £000</b>
Working Balance	5,000	0	5,000
Capital Programme Reserve	2,614	6,181	8,795
Leaseholders Reserve	168	0	168
Service Improvement and Project Reserve	1,000	395	1,395
Stock Options Appraisal	2,000	(667)	1,333
Supporting People Reserve	558	0	558
Insurance reserve	0	300	300
<b>Total HRA Balances</b>	<b>11,340</b>	<b>6,209</b>	<b>17,549</b>

## **3.4 Capital**

3.4.1 The Council's final approved budget for capital expenditure in 2012/13 was £39.96m, a net increase of £12.78m from the original budget of £27.18m. The budget initially increased due to carry forwards from 2011/12 of £9.6m,

but has subsequently been revised downwards by £8.58m to reflect planned carry forwards to 2013/14.

- 3.4.2 The HRA capital programme increased by £7.95m, due to the re-phasing of the Decent Homes grant from central government, and £2.23m in relation to the Community Energy Savings Programme (CESP). Other changes largely relate to increases in external financing from grants and contributions.
- 3.4.3 The overall Capital Programme includes revenue expenditure funded from capital under statute (REFCUS). This is expenditure, such as grants to homeowners for disabled facilities, which can be funded from capital resources under statute and regulations.
- 3.4.4 Capital expenditure for 2012/13 totalled £37.28m against the final approved budget of £39.96m, a net underspend of £2.68m.
- 3.4.5 The position by Directorate is summarised in **Table 5** below, with further details set out in **Appendix 9**, along with explanations of the reasons for any significant variances.

<b>Table 5 - Capital Expenditure by Directorate</b>	<b>Approved Budget £m</b>	<b>Outturn £m</b>	<b>Variance £m</b>
Customers & Communities	0.479	0.419	-0.060
Regeneration, Enterprise & Planning	6.706	6.422	-0.284
Resources	0.794	0.478	-0.316
Housing General Fund	3.223	2.510	-0.713
Total General Fund	11.202	9.828	-1.373
Housing Revenue Account	28.754	27.446	-1.308
<b>Gross Expenditure</b>	<b>39.956</b>	<b>37.275</b>	<b>-2.681</b>

- 3.4.6 **Table 6** below shows how the Capital Programme for 2012/13 has been funded. In line with the approved Capital Strategy and the Treasury Management Strategy, capital receipts have been utilised to fund expenditure on short-life assets, whilst prudential borrowing has been used where assets have a longer life.

<b>Table 6 - Financing of Capital Programme</b>	<b>General Fund £m</b>	<b>HRA £m</b>	<b>Total £m</b>
Prudential Borrowing	2.154		2.154
Capital Receipts	1.734	0.600	2.334
Major Repairs Allowance		9.901	9.901
Government Grants	5.117		5.117
Third Party Contributions	0.523		0.523
Revenue Contributions	0.301	16.945	17.246
<b>Total</b>	<b>9.829</b>	<b>27.446</b>	<b>37.275</b>

## Capital Carry Forward 2012/13

3.4.7 **Table 7** below shows the amount of carry forward from 2012/13 into the 2013/14 Capital Programme. Details are shown on a scheme by scheme basis at **Appendix 9**.

<b>Table 7 - Capital Carry Forward 2012/13 by Directorate</b>	<b>£m</b>
Customers & Communities	0.063
Regeneration, Enterprise & Planning Resources	0.293
Housing General Fund	0.300
<b>Total General Fund</b>	<b>1.369</b>
Housing Revenue Account	1.882
<b>Total Carry Forward</b>	<b>3.251</b>

3.4.8 The carry forward request for HRA schemes, which is required to finish incomplete schemes, is greater than the net underspend. The overall outturn includes an overspend on Decent Homes of £0.35m due to additional properties being made decent/additional works identified and £0.17m due to additional disabled adaptations required. The impact of the additional financing required will be reflected in future updates of the HRA Business Plan.

3.4.9 The carry forward schemes will be incorporated into the 2013/14 agreed capital programme and monthly monitoring processes.

### **3.5 Choices (Options)**

3.5.1 Cabinet is invited to note the report and the explanations of the actual outturn and reasons for the changes since the Period 10 forecast for the General Fund, Housing Revenue Account and Capital Programme.

3.5.2 Cabinet is asked to note the proposed movements in the General Fund and HRA reserves.

3.5.3 Cabinet is asked to agree the capital budgets to be carried forward to 2013/14.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

4.1.1. Actual outturn impacts upon the level of reserves.

### **4.2 Resources and Risk**

4.2.1 This report informs Cabinet of the outturn for the General Fund, Housing Revenue Account and Capital Programme for 2012/13. The impact of individual outturn variances needs to be assessed against current and future years' budgets.

### **4.3 Legal**

4.3.1 There are no specific legal implications arising from this report.

#### **4.4 Equality**

4.4.1 There are no specific equality implications arising from this report.

#### **4.5 Consultees (Internal and External)**

4.5.1 Chief Executive, Directors, Heads of Service and Budget Managers have been consulted.

#### **4.6 How the Proposals Deliver Priority Outcomes**

4.6.1 Annual outturn reporting contributes to the priority of delivering value for money to protect local services by sustaining effective and prudent financial management.

#### **4.7 Other Implications**

4.7.1 Not applicable

### **5. Background Papers**

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5.1 Cabinet Reports – Budget Setting and Budget Monitoring throughout 2012/13

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