

Report to Cabinet

Subject: Council Plan and Budget Outturn and Budget Carry Forwards 2012/13

Date: 6 June 2013

Author: Senior Leadership Team

Wards Affected

Borough-wide

Purpose

This report presents the Council Plan and Budget Outturn and Budget Carry Forwards for 2012/13.

Cabinet is asked to note the final outturn position for 2012/13 and recommend that Council:

- a) Approve the method of financing the 2012/13 capital expenditure which includes making the Capital Determinations required by the Local Government and Housing Act 1989;
- b) Approve the carry forward of budgets from 2012/13 as additions to the 2013/14 budgets, in accordance with financial regulations.

Key Decision

This is a not a key decision

Background

- 1.1 The Council's financial regulations allow for the carry forward of capital and revenue budgets to the new financial year where there is an underspend against the approved budget.
 - 1.2 The Chief Financial Officer has delegated authority to approve the carry forward of contractually committed schemes above £50,000 for Capital and £10,000 for Revenue, and all schemes where the underspend does not exceed £50,000 for Capital and £10,000 for Revenue, subject to reporting the source of the under-spend and the subsequent use of the carry forward to the Portfolio Holder.
 - 1.3 Approval of full Council is required for schemes, which are not contractually committed, with a value over £50,000 for Capital and £10,000 for Revenue.
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Proposal

2.1 Summary Budget Outturn Position

This report highlights continued good management of the Revenue and Capital budgets and overall Council performance. The Council has a revenue underspend of £426,151 against the Original Estimate, or £293,851 against the Current Estimate i.e. the latest quarter 3 monitoring projection. Capital expenditure is broadly in line with the Current Estimate after accounting for carry forwards proposals.

2012/13 was a year of significant uncertainty for the future funding of Local Government with preparations for the implementation of the new funding mechanisms introduced in the Local Government Resource Review i.e. Business Rate Retention and Council Tax Discount Scheme. The Local Government Finance Settlement also announced higher than anticipated grant reductions for 2013/14 with an indication of further significant cuts to come. This together with the continuing downturn in the economy putting pressure on both the Council's expenditure and income streams means that 2012/13 has been a challenging financial year.

Against this backdrop Services have responded well to delivering efficiency savings for the 2013/14 budget and where possible have implemented these early contributing to the 2012/13 under-spend. The outturn position will be analysed to identify any further under-spends which can be removed from the future budget.

Given the extent of changes this represents a robust outturn position for the Council which is in line with the revised medium term financial plan projections for 2012/13 and which increases reserve balances and provisions in a worsening economic and funding climate.

2.2 General Fund Revenue Outturn 2012/13

- 2.2.1 The actual net revenue expenditure for each Portfolio area 2012/13 is detailed in Appendix 1, together with explanations of major variances in expenditure and income.
- 2.2.2 The table below summarises the actual net expenditure for each Portfolio in 2012/13 compared to both the original estimate and the current estimate. The current estimate is that approved by Cabinet in February 2013, adjusted by budget virements in the fourth quarter. During the financial year Cabinet approved a number of budget amendments as part of the quarterly monitoring process approving a net reduction of £132,300. These savings were mainly due to staffing vacancies, no national pay award and additional investment income partly offset by net reductions in our other income streams. The detail of these changes are analysed in the paragraphs below.
- 2.2.3 The table shows an overall General Fund underspend of £293,851, against the current estimate, equating to 2.4%.

General Fund Revenue Outturn and Proposed Carry Forwards 2012/13

	Original Estimate 2012/13	Current Estimate 2012/13	Actual 2012/13	Variance to Original Estimate	Variance to Current Estimate	Proposed Carry Forward
	£	£	£	£	£	£
Community Development	1,750,900	1,728,200	1,649,765	(101,135)	(78,435)	101,400
Health & Housing	832,700	866,600	954,368	121,668	87,768	8,100
Public Protection & Communication	1,643,100	1,521,400	1,394,567	(248,533)	(126,833)	500
Environment	5,104,700	5,229,000	5,080,232	(24,468)	(148,768)	0
Leisure & Development	2,705,600	2,677,200	2,903,769	198,169	226,569	4,300
Finance & Performance	261,700	144,000	(110,151)	(371,851)	(254,151)	0
TOTAL	12,298,700	12,166,400	11,872,549	(426,151)	(293,851)	114,300

2.2.4 Proposed Revenue Carry Forwards

The revenue carry forward requests total £114,300. Attached at Appendix 2 are details of the schemes, totalling £24,300, which the Chief Financial Officer has authorised to carry forward in line with the delegation arrangements.

There is a further carry forward request of £90,000 for non-committed schemes in excess of £50,000, which requires Council approval. This is to fulfil the Council's commitment to the Countywide Superfast Broadband Project which is being managed by Nottinghamshire County Council and is now expected to be implemented during 2013/14.

2.2.5 The outturn expenditure enables a contribution to General Fund balances of £72,657, compared with a revised estimate of a contribution from balances of £221,194. The overall available balance on the General Fund at 31 March 2013 is £4,940,892 of which £114,300 is required to fund revenue carry forwards. This gives a net increase of £293,851 when compared to the estimated amount due to the underspend. This level of balances remains above the minimum required in the Council's Medium Term Financial Plan. Details of the total reserves held at 31 March 2013 are shown at Appendix 3.

2.3 Summary of Major General Fund Revenue Variances from Current Estimate

2.3.1 After accounting for carry forward requests the net revenue underspend against the current estimate is £179,551 or 1.5%.

Major variances in excess of £10,000 are highlighted in the paragraphs below.

2.3.2 Expenditure Areas

Additional expenditure has arisen in some services:

- Housing benefit expenditure is £207,200 higher than the original estimate. An additional budget of £70,000 was approved by Cabinet in quarter 3 resulting in a final overspent position of £137,200 compared to the current estimate. These additional costs are mainly due to an increased provision for bad debts together with reduced overpayment recoveries as the economic climate continues to put pressure on caseload and debt quality;
- Increased provision of £70,000 has been made in anticipation of the settlement of an outstanding legal claim for the refund of Land Charges property search fees;
- Consultancy fees for Arnold Leisure Centre refurbishment project £10,000.

Major reductions in expenditure include:

- Employee expenses – Savings of £336,000 have been achieved against the original estimate mainly due to positive vacancy management across all services and the estimated 1% pay inflation not being required due to the local government pay freeze, partly offset by a one-off payment to staff earning £21,000 or under. £238,900 savings were approved by Cabinet during quarterly monitoring resulting in a final underspend position of £97,400 compared to the current estimate. This is over and above the vacancy provision target of £90,000;
- Utilities – Net savings of £94,700 against the original estimate due to lower than expected contract price inflation. £81,200 of the savings were approved by Cabinet during quarterly monitoring resulting in a final underspend position of £13,500 compared to the current estimate;
- Release of the Earmarked Reserve set aside for the Municipal Mutual Insurance Scheme of Arrangements which has now been actioned. The liabilities are now estimated to be lower than previously projected enabling £92,300 to be released back to the General Fund Balance (see paragraph 2.5 below);
- Saving in various Housing Needs projects of £36,000 mainly due to delay in implementation of the development bid for Teenage and Floating Tenancy Support;
- Saving in Localities projects £10,000 due to delayed implementation of staffing structure;
- Saving in Community Protection equipment maintenance £14,000;
- Saving in IT Equipment and Software costs £17,000;

- Saving in Transport Costs £31,000 – efficiencies from reducing fleet numbers including tyres/parts/vehicle hire. However, this is offset by an additional budget of £19,000 for fuel being approved during quarterly monitoring meaning the saving compared to original estimate is £12,000;
- Housing Benefit shared appeals officer not appointed £10,000;
- Business Units reduced partners rents share £14,000;
- Car User Mileage – net saving all services £10,900.

2.3.3 Income Areas

2.3.3.1 Major Income Streams –Fees and Charges

The economic downturn continues to place significant pressure on some of the Council's main income streams with many budgets being revised downward during the course of the year. However, there were signs of recovery in the housing market with a number of major planning applications being submitted, generating additional income. There was also a significant increase in Hackney Carriage income which was reported to Members during the year. The most significant income budgets are summarised below:

	Actual £	Original Estimate £	Current Estimate £	Variance to Original £	Variance to Revised £
Leisure Centres	(2,483,572)	(2,612,700)	(2,535,300)	129,128	51,728
Waste – Trade & Recycling Income	(1,055,552)	(1,117,100)	(1,051,400)	61,548	(4,152)
Planning Fees	(367,274)	(308,900)	(347,300)	(58,374)	(19,974)
Building Control	(145,915)	(187,200)	(148,300)	41,285	2,385
Land Charges	(100,018)	(119,600)	(97,000)	19,582	(3,018)
Cemeteries	(378,112)	(410,500)	(365,500)	32,388	(12,612)
Licencing and Hackney Carriages	(361,978)	(285,500)	(363,500)	(76,478)	1,522
	(4,892,421)	(5,041,500)	(4,908,300)	149,079	15,879

Leisure Centre Income

The main areas of reduced income against current estimate are swimming, all weather pitches and aerobics/exercise classes. Room hire and bar sales at the function venues are also down. DNA membership income has increased during the year, and this has resulted in an overall increase in income in the fitness rooms despite a decrease in pay as you go income. Swimming Lesson income has increased partially due to the introduction of the new Course Pro system and private swimming lessons.

Hackney Carriage Licencing

A significant increase in demand for Hackney Carriage Licencing was experienced during 2012/13 as reflected in the current estimate which was increased by £78,000 during quarterly monitoring, however this was partly offset by additional expenditure required to service that demand of £59,000, giving a net overall benefit of £19,000.

2.3.3.2 Other Income Areas

Additional income has arisen in some services:

- Investment Income – additional income of £109,100 has been achieved against the original estimate due to proactive treasury management activity. An additional income budget of £102,800 was approved by Cabinet during quarterly monitoring, resulting in a final saving of £7,000 compared to the Current Estimate;
- Improvement Grant Repayment and minor land sales have generated additional income of £31,600;
- Car Parking enforcement surplus via Nottinghamshire Partnership £16,800.

2.4 Building Control Fee Earning Trading Account

There is a statutory requirement to manage costs and set fees to break even on the Building Control Fee-Earning account to ensure the service is not subsidised by the council taxpayer.

Following a difficult year in 2011/12 where the service underwent a restructure and there was a significant income fall, the building control account had a deficit to the General Fund of £107,582 at the year end. This deficit needs to be repaid over a reasonable timescale and for 2012/13 a budget was set which, if achieved, would have contributed £18,900 towards this target.

Building Control Fees were increased twice in 2012/13, but significantly the first fee increase in May proposed by the service was not sufficient to turnaround the financial position. The fees were again increased in November, but due to the seasonal decreases in applications during the winter, this was not sufficient to generate a surplus in 2012/13.

At Quarter 3 it was reported that fee income would decrease by £38,900 offset by salary savings of £9,700. At out-turn this is further offset by minor savings in controllable expenditure and central support which has resulted in a deficit of £8,653 for 2012/13. The deficit on the Building Control fee earning account at the 31st March 2013 is now £116,235.

The financial position will continue to be closely monitored in 2013/14 and further intervention may be necessary in due course to reduce costs.

2.5 Reserves and Provisions

Reserves and provision requirements have been reviewed and transactions completed within the portfolio analysis. A full list of Earmarked Reserves is included in Appendix 3 which details the actual position on Earmarked Reserves at 31 March 2013 of £2.314m compared to the estimated position of £2.122m, an increase of £192,000.

Significant movements in reserves and provisions are summarised below:

- The Insurance Fund included an amount of £136,800 for the potential liability arising from the Municipal Mutual Insurance Scheme of Arrangement Levy which has now been triggered following confirmation that the business is insolvent. The Scheme Administrator has advised that a payment of 15%, equating to £22,300, will now be probable during 2013/14 and there is potential for a further payment of £22,200 in 2014/15 or beyond. As a result £22,300 has been charged to revenue and transferred to a provision, £22,200 retained in the Insurance Fund and the remaining £92,300 transferred back to the General Fund balance;
- The Earmarked Grants reserve contains grants which are received for specific purposes to fund qualifying expenditure in future financial years. Additional £177,500 grants were received during 2012/13 but remain unused at the year end. Notable grants received include £84,000 New Burdens grant to support the Localisation of Council Tax, £20,000 Independent Living Scheme, £22,500 Keep Warm Project and £27,900 Domestic Homicide Reviews; New Burdens Grants - Community Right to Challenge and Right to Access £13,400.

2.6 Members Pot Outturn 2012/13

In 2012/13 the Members Pot budget was £25,000 of which £24,750 has been spent on grants to third parties as detailed in Appendix 4.

2.7 Support Service Recharges and Capital Financing Variations

Detailed explanations of major variations at individual portfolio holder level are included at Appendix 1. Global changes in respect of the treatment of support services and capital financing can mask the detail of performance in individual areas and these 'non controllable costs' are also highlighted separately (see paragraphs below).

Support Service Recharges

The budgets of all central support, service administration and fleet providers have been monitored and updated as part of the quarterly budget monitoring process. Reallocation of support costs has been undertaken as part of the accounts closedown process based on actual outturn figures and therefore variances between the central support budgets and actual recharges have occurred as a result of this reappraisal. Variances resulting from the reappraisal of central support and service administration have occurred across the board, but the entries themselves do not impact on the budget requirement or the amount to be raised by Council Tax. **Overall, support services have underspent compared to the current estimate by £83,404 in 2012/13.**

Capital Financing Charges

Capital financing charges reflected in the Council's service department budgets include amortisation and depreciation.

Amortisation charges relate to the cost of Capital schemes where no asset is created and the capital expenditure is therefore charged to revenue in the year it occurs. Budget variances may occur because of capital scheme under and overspends and carry forwards/slippage. Depreciation reflects the usage of capital assets within the services and budget variances can occur due to the revaluation of assets.

The entries themselves do not impact on the budget requirement or the amount to be raised by Council Tax. The net cost to the General Fund is nil, as there is a corresponding credit within the Finance and Performance Portfolio.

2.8. Statement of Accounts – Technical Adjustments

2.8.1 The Council is required to comply with International Financial Reporting Standards (IFRS) in the production of its Statement of Accounts which requires a number of technical adjustments to be made to portfolio totals. The adjusted totals are then presented in the Comprehensive Income and Expenditure Statement within the Statement of Accounts.

2.8.2 Adjustments will be made in respect of Employee Benefits i.e. holiday pay and pensions, and impairments arising from asset revaluations and further details are provided below. The adjustments themselves do not impact on the budget requirement or the amount to be raised by Council Tax and therefore do not affect the General Fund balance. A summary of the adjustments to be made are detailed in Appendix 5. No budgets are set for them and managers do not have direct control of the costs. They are therefore not included within the Outturn Portfolio balances at paragraph 2.2.3.

Employee Benefits Holiday Pay

Adjustments are required for untaken employee annual leave at the financial year end. This is to ensure the charge to the revenue account fully reflects the actual work undertaken during the year. The net impact on the Net Cost of Services for 2012/13 is an increase from 2011/12 of £42,000.

Pension Benefits

IFRS reporting standards require recognition in the Accounts of the benefit entitlements earned by employees during the period rather than the actual amount of employer's pension contributions payable upon which charges to council tax are based. Adjustments will be made to the service revenue accounts Net Costs of Services to remove the actual pension contributions payable and replace them with the benefit entitlements earned as provided by the Actuary. For 2012/13 this adjustment adds £705,000 to the Net Cost of Services.

Asset Impairment

A capital asset impairment review is undertaken each year end by the Council's valuer. An assessment is made of whether the asset values currently held in the Council's Balance Sheet reflect both the current physical and market conditions and determine if an adjustment is required. If an asset is impaired i.e. the value is assessed to be lower than that currently held, then the asset value is written down with the accounting loss being charged to the Comprehensive Income and Expenditure Statement.

During 2012/13 there were no significant impairment which indicates market prices have been more stable during the year.

3. Capital Outturn 2012/13

- 3.1 A summary of the capital outturn is presented in the table below. The latest estimate is that approved by Cabinet in February 2013. Capital outturn totals £3,182,729 compared to an approved budget of £4,050,500. This represents a net under spend of £28,971 after accounting for carry forward requests of £838,800. The details of the outturn for individual schemes by Portfolio area are included at Appendix 6.

Capital Outturn and Proposed Carry Forwards 2012/13

Portfolio	Current Estimate 2012/13	Actual Expenditure 2012/13	Variation	Proposed Carry Forward
	£	£	£	£
Community Development	21,200	1,765	(19,435)	19,400
Health & Housing	0	0	0	0
Public Protection & Communication	900,600	682,298	(218,302)	220,000
Environment	1,843,800	1,408,211	(435,589)	405,100
Leisure & Development	250,000	61,965	(188,035)	188,000
Finance & Performance	1,034,900	1,028,490	(6,410)	6,300
TOTAL	4,050,500	3,182,729	(867,771)	838,800

3.2 Proposed Capital Carry Forwards

The capital carry forward requests total £838,800 against a current capital programme of £4,050,500.

Attached at Appendix 2 are details of the schemes, totalling £735,500, which the Chief Financial Officer has authorised to carry forward in line with the delegation arrangements. The level of funding available to finance the carry forwards is projected to be sufficient.

There is a further carry forward request of £103,300 for non-committed schemes in excess of £50,000, which requires Council approval. This is for the remainder of the Disabled Facilities Grants budget which is identified for financing by borrowing.

3.3 Capital Financing 2012/13

The proposed method of financing the £3,182,729 capital expenditure incurred in 2012/13 is summarised below and full details are included in Appendix 7.

	£
Capital Receipts	224,858
Capital Grants and Contributions	1,232,181
Prudential Borrowing	1,725,690
Total Capital Financing	3,182,729

3.4 Capital Determinations 2012/13

The Local Government and Housing Act 1989 requires each Local Authority to determine how its capital expenditure has been financed together with the amounts set aside from revenue as provision for credit liabilities (repayment of debt).

- (i) Section 42(2)(g) of the Local Government and Housing Act 1989 requires the Authority to determine the amount of expenditure which has been met out of money provided by other persons. This is:

	£
Capital grants receivable	996,560
Capital contributions	235,621

- (ii) Section 60(2) of the Act requires the Authority to determine the amount of usable capital receipts to be applied to meet expenditure incurred for capital purposes for 2012/2013. This figure is £224,858.
- (iii) Section 63(1) of the Act requires the Authority to determine the amounts set aside from revenue accounts as provision for repayment of debt, known as the minimum revenue provision (MRP). This is calculated in accordance with the MRP policy for 2012/2013 as approved by Council on 5 March 2012 and equates to £481,524.

4. Performance Results and Future Targets

4.1 The Council continues to manage its performance using the Covalent Performance Management system.

4.2 Against the backdrop of a continuing move away from paper based information towards use of more electronic means, and the government's aspiration for local authorities to be more open and transparent, work has recently been completed to

make performance information more accessible publicly on line on the Council's website. These changes were originally highlighted to members in the quarter 1 progress report (Cabinet – 6 September 2012) and have been continued since. This is their first application at year-end.

4.3 Hard copy performance documents are therefore no longer being routinely produced nor attached to Cabinet agendas – performance documents covering Improvement Actions and Performance Indicators can, however, be accessed at <http://www.gedling.gov.uk/aboutus/howwework/prioritiesplansperformance/performance/>. Hard copies will still be made available to members upon request and are available for reference in the Members' Room.

4.4 For members and the public accessing performance information through this link, the previous criteria for performance assessment continue to apply. Red, amber and green traffic light symbols continue to be used to show progress for both actions and performance indicators. To be assessed as Green at the end of the fourth quarter (i.e. end of year): -

- An Improvement Action must be completed, or be on target compared with where it should be if the project straddles more than one financial year, as set out in its Project Plan.
- A Performance Indicator must be in line with target for the year.

Progress is assessed against the latest agreed target for both actions and indicators.

4.5 The year-end reports largely follow the format for quarterly reports. The main difference is that performance indicator reports show both q4 results and full year results where appropriate. For indicators measured on an ongoing basis, there is generally a separate figure for the final quarter and for the full year - for those measured on a one-off basis at year end, only a year-end figure is included. In a limited number of cases, performance is measured on a 12 month rolling basis (for example, sickness absence performance) – in these instances the q4 and year-end performance data is the same. These documents contain explanations of variances and proposed target changes as previously, along with trend arrows for performance indicators (note that an upward arrow indicates improved performance, irrespective of whether improvement is represented by a higher or lower value) and progress bars for actions showing progress made against project milestones.

4.6 Progress against Improvement Actions over the year has been good, with 83% (86 out of 103) completed or on target for completion and with outcomes secured. For the Improvement Actions assessed as Red, in most instances the work involved has been rolled forward for completion in 2013/14 Service Plans. There are however three actions which it is proposed are added to the 2013/14 Council Plan, with the following amended target dates suggested.

Improvement action changes

Portfolio Area	Task	Original Target	Proposed Revised/ New Target	Reason for change
Leisure and Development	Develop clear strategy for efficiently collecting and applying Section 106 and Community Levy	31 March 2013	31 December 2013	Delayed due to changes to guidance on developing Community Infrastructure Levy.
Leisure and Development	Progress the Community Infrastructure Levy in accordance with the Council's role as a Frontrunner authority	28 Feb 2013	31 December 2013	Delayed due to changes to guidance on developing Community Infrastructure Levy.
Leader	Implement new work experience scheme following national curriculum changes	31 March 2013	31 August 2013	Progress has been made on the project. Templates for work experience are to be devised and circulated to service managers for use during 2013/14.

- 4.7 Progress against Performance Indicators overall is good, with 67% (35 out of 52 that are performance rather than tracking measures) with green status, with a further 11% (6) with amber status. The remaining indicators show red status, but in most cases actions are being taken to address the difference.
- 4.8 As previously, a separate report is produced highlighting key outcomes secured during the quarter, focusing on areas where the Council has made a real difference to people's lives. This is attached at Appendix 8 and is available on the website and in hard copy in the Members' Room.

Alternative Options

- 5 This report provides a statement of the actual performance against the Council Plan for 2012/13 and as such there are no alternative options. The proposals for budget carry forwards are in accordance with the requirements of Financial Regulations and are submitted for Member consideration.

The approval of the capital financing method and determinations are statutorily required and as resources available for capital financing are severely restricted there are no alternative options available.

Financial Implications

6 As detailed in the report.

Appendices

- 7 Appendix 1 General Fund Revenue Outturn 2012/13 Variance Analysis
Appendix 2 Budget Carry Forward Summary
Appendix 3 General Fund Balances and Earmarked Reserves 2012/13
Appendix 4 Members Pot 2012/13
Appendix 5 Statement of Accounts Technical Adjustments 2012/13
Appendix 6 Capital Outturn 2012/13
Appendix 7 Capital Financing Summary 2012/13
Appendix 8 Performance Outcomes 2012/13

Background Papers

8 Council Plan 2012/13 and Quarterly Performance Monitoring Reports

Recommendations

Members are recommended:

- (a) To note the Council Plan Performance and Budget Outturn figures for 2012/13;
- (b) To note the revenue carry forwards approved by the Chief Financial Officer of £24,300 included in Appendix 2, being amounts not in excess of £10,000;
- (c) To note the capital carry forwards approved by the Chief Financial Officer of £735,500 included in Appendix 2, being amounts not in excess of £50,000 and committed schemes above £50,000;
- (d) To agree the proposed changes to Improvement Actions as set out in Section 4;
- (e) To refer to Council for approval:
 - i) The revenue carry forward of £90,000 for the Superfast Broadband Scheme being a non-committed scheme in excess of £10,000;
 - ii) The capital carry forward of £103,300 for the Disabled Facilities Grants Scheme being a non-committed scheme in excess of £50,000;
 - iii) The overall method of financing of the 2012/13 capital expenditure as set out in Appendix 7 of the report;
 - iv) The capital determinations in Section 3.4.

Reasons for Recommendations

- 10 To ensure Members are informed of the performance against the Council Plan for 2012/13; to request approval of carry forwards budgets to enable delivery of delayed projects in 2013/14 and; to comply with statutory requirements for capital financing.