

CABINET
14th June 2011

***PART 1 – PUBLIC DOCUMENT**

AGENDA ITEM No.

REVENUE BUDGET OUTTURN 2010/11

REPORT OF THE STRATEGIC DIRECTOR OF FINANCE, POLICY & GOVERNANCE
PORTFOLIO HOLDER: COUNCILLOR T.W.HONE

1. PURPOSE OF REPORT

- 1.1 The purpose of the report is to inform Cabinet of the summary position on income and expenditure as at the end of the financial period April 2010 to March 2011 for the General Fund and the Council's trading account, Careline.
- 1.2 This report updates Cabinet on the position of the Council's Earmarked Reserves as at 31st March 2011 and any transfers to/from reserves.
- 1.3 This report updates Cabinet on the projected General Fund balance at the end of 2011/12 as a result of the 2010/11 outturn position.
- 1.4 This report updates Cabinet of any requests for 2010/11 carry forwards that require approval.
- 1.5 This report informs Cabinet of the outturn on the Council's Treasury Management activities.

2. FORWARD PLAN

- 2.1 This Report does contain a recommendation on a key decision and was first included in the Forward Plan on 1 March 2011.

3. BACKGROUND

- 3.1 The 3rd quarter revenue budget monitoring report was presented to members on the 15th February 2011 and included the position for both the General Fund and the Council's Trading Account, Careline. Budgets requested to be carried forward to 2011/12 were approved bringing the total carry forward to £288k.
- 3.2 The Accounts and Audit Regulations, revised in 2011, require the Statement of Accounts to be signed off by the responsible finance officer by the 30th June. There is no longer a statutory obligation for the Statement of Accounts to be signed off by Full Council by the 30th June. The Statement of Accounts are still required to be formally approved by a Committee by the 30th September (Regulation 8(3)) and they will be presented to the Finance, Audit and Risk Committee on the 19th September.
- 3.3 At the Council meeting on the 10th February 2011 a general fund balance for 2011/12 of £1.638million was approved.

4. ISSUES

General Fund 2010/2011 Outturn

4.1 The net expenditure in 2010/11 was £18.116million and is £399k lower than the working budget estimate of £18.515million and £4k higher than the original budget estimate of £18.112million. The major variances to the working budget for 2010/11 are detailed below in Table 1. There is a small net impact of an increase of £7k on the 2011/12 budget as a result of all the ongoing year end variances. In addition there is a net increase of £102k on the amount of budget requested to be carried forward from 2010/11 to 2011/12.

Table 1-Significant changes to the General Fund

(Key: - = reduction in expenditure, + = increase in expenditure)

Expenditure/ Income	2010/11 Working Budget £'000	2010/11 Actual £'000	Year End Variance £'000	Explanation
Vacancy Control – Salaries	-225	-427	-239	The original estimate for under-spends on salary budgets was £579k. This was revised at the 1 st quarter due to the low number of vacancies at the time and no expectation this would significantly change. The target was increased again at the 2 nd quarter to reflect a lower expected pay award of 0.5%. The latest position would suggest the pay award for 2010/11 will be 0% resulting in a saving of £70k. The remaining variance relates to lower than anticipated redundancy costs as a result of a number of redeployments, and a number of vacancies held across various services. It is proposed to use £100k of the over-achievement of the target for a strategic priorities fund in 2011/12. Total basic pay in 2010/11, excluding NI and employer's pension contribution, was £10.373million.
Amenity Areas – repairs and maintenance	+1,535	+1,462	-73	Total payment to the ground maintenance contractor was less than expected due to; less overtime payments following the adoption of annualised hours (£13k), less maintenance on Howard Park paddling pool due to the renovation project (£14k), a reduced amount of repairs required as a result of vandalism to play areas than in previous years and supply issues which meant some replacement items were unavailable when ordered (£44k).
Housing & Council Tax Benefits				The net increase in expenditure of £94k is the result of the number and type of overpayments identified during the year.
Payments	41,848	41,942	+94	The Council is able to keep the proceeds from re-claimed benefit overpayments but must also maintain an adequate bad debt provision for those debts which are unrecoverable. The working budget was based on the mid-year estimate of the total number of claims. Reports on the number of overpayments were not available during the year, due to technical issues which have now been resolved.
Subsidy	-41,628	-41,345	+283	
Income from overpayments	-382	-922	-540	
Bad debt provision	+73	+330	+257	
Net Total	-89	+5	+94	2011/12 budget to be revised at the 1 st qtr.

Expenditure/ Income	2010/11 Working Budget £'000	2010/11 Actual £'000	Year End Variance £'000	Explanation
Strategic Sites – other hired services	0	+60	+60	Legal Costs incurred for the west of A1M legal challenge. The planning application approved for housing development has been challenged by NHDC and HCC. If successful costs will be reclaimed, however, if unsuccessful the Council will need to pay part of the Secretary of States costs. Legal challenge took place late March and still awaiting decision. An allowance of £65k was included in the general fund balance for the risk that this expenditure would be incurred when the 2010/11 budget was approved.
Parking – fees and charges	-1,842	-1,931	-89	The additional income relates to the recognition of penalty charge notices (pcn) which have been issued but not yet paid. In previous years pcn income was only recognised when it was paid. This new treatment is consistent with the Council's accruals policy. A bad debt provision has been calculated to recognise the fact not all the income is likely to be collected and a charge of £38k offsets some of the additional income.
- bad debt provision	0	+38	+38	
Net increase			-51	
Learning & Development – other hired services (training budget)	+76	+45	-31	The council has increasingly encouraged alternative and more cost effective methods of learning and development, such as e-learning, coaching and mentoring and delivery of more training in-house and these have increased over the last few years. The number of learning and development needs identified in personal development plans is consistent with previous years levels, however, the level of outstanding needs appears to be greater. This may be due to less capacity for officers to be released for learning and development activities.
Leisure Management – third party payments	+339	+314	-25	A reduction on the leisure management contract payments as a result of savings on utility bills following an exercise to control usage.
Waste Services – Recycling communication plan	+47	+31	-16	The resignation of the Development Officer meant not all committed actions in the Communications plan could be performed within the financial year. These outstanding actions have been included within the new year communication plan to be funded from the 2011/12 budget allocation.
Audit Fees - third party payments	+154	+139	-15	This is a reduction on the previous year's payments for the total fees incurred for external audit activities.
Rivers – repairs and maintenance	+36	+22	-14	Work to clear the balancing tanks at Hitchin was less than originally quoted.
Democratic Services – printing and stationary	+67	+55	-12	Lower printing requirements due to more use of the E Agenda system, leaner agendas and less use of colour printing.

Expenditure/ Income	2010/11 Working Budget £'000	2010/11 Actual £'000	Year End Variance £'000	Explanation
Planning Projects				An underspend on Local Development Framework activities is offset with a reduced transfer from the earmarked reserve. Since the General Election last year the timetable for this work on the Local Development Framework has changed considerably. Shortly after the election the Secretary of State announced his intention to revoke the regional spatial strategies, including the East of England Plan. This announcement has been subject to legal challenge but the revocation of the regional spatial strategies is included in the Localism Bill currently before Parliament. Following the announcement, the Council decided to reappraise its position on the housing growth needed for the District up to 2031 and to suspend all work on the Stevenage and North Hertfordshire Area Action Plan (SNAP). As a result, a revised timetable for preparing the local development framework was approved by Cabinet in January and then the government in February 2011.
- hired services	+169	+54	-115	
- transfer to earmarked reserve	0	+115	+115	
Sub-total			-322	
Other Minor Variances			-77	This further underspend of £77k is made up of a large number of minor variances less than £5k across all remaining cost centres. The net effect of these minor variances on the 2011/12 budget is an increase of £7k.
Total Decrease in General Fund Expenditure			-399	

- 4.2 The 2010/11 summary of General Fund expenditure and income is shown in appendix A. The General Fund balance, as at 31st March 2011, is £1.922million.
- 4.3 The Statement of Accounts has yet to be audited, (deadline of 30th September), and changes to the General Fund balance may arise as a result of the final audit. As the Housing Benefit claim has yet to audited (due by November 2011) the accounts are based on unaudited figures.
- 4.4 Members approved the carry forward of £288k of budgets in February. Following spend in the final quarter of the year the total final amount requested to be carried forward from 2010/11 into 2011/12 is £290k. The detail of these carry forward budgets is detailed in Appendix B. The carry forward request from 2009/10 into 2010/11 was £498k.
- 4.5 It has been policy in the past to approve the use of an over-achievement of the vacancy control target as a strategic priorities fund for the following year to assist in facilitating the shift in resources to meet key priorities. A strategic priorities fund was not funded in 2010/11 because at the time it was felt there were insufficient resources available to do so. Members are asked to approve a £100k transfer into a Strategic Priorities Fund from the net salary under-spend of £239k detailed in table 1. The fund, allocated by Corporate Management Team, is to be utilised to

encourage innovations/invest to save bids to be financed, to enable the outputs from service reviews and continuous performance improvement strategies to be funded and to facilitate achievement of strategic priority projects.

Trading Operations

4.6 Careline made a deficit of £74k which is summarised in Table 2 below:

Table 2-Trading Operations 2010/11

Trading Account	Projected Outturn 2010/11 £'000	Actual 2010/11 £'000	Variance to Projected Outturn £'000
Careline Centre	-72	-74	-2

4.7 The net deficit position includes all recharges for overheads. The loss of a significant contract during the year has had a detrimental effect on the ability of the service to recover all costs. Staffing levels have been reviewed to minimise the deficit position as much as possible.

Collection Fund

4.8 Collection Fund surpluses can be transferred to the general fund in future years to reduce the amount of council tax the Council has to raise to finance its own expenditure. Similarly surpluses on the collection fund attributable to Hertfordshire County Council and Hertfordshire Police Authority can be transferred to their respective general funds in future years to reduce their amount of council tax.

4.9 There was a surplus of £186k on the collection fund for 2010/11. This is an improvement on the previous year when a deficit of £261k was reported.

4.10 The balance on the Collection Fund at the year end is a net deficit of £82k, which is apportioned over the precepting authorities based on the size of the precepts, as shown in Table 3. The Council's share of the balance is a surplus of £14k while Hertfordshire County Council and the Police Authority have a deficit of £91k and £5k, respectively. The reason the Council has a net surplus and the major preceptors have a net deficit is, in part, because contributions were paid from the collection fund to the County Council and Police Authority general funds in 2008/09 based on an estimated surplus which was not achieved. This Council chose not to move funds from the collection fund to the general fund. This resulted in year end deficit positions at the end of 2008/09 for the major preceptors while the Council remained in a surplus. The County Council and Police Authority have paid additional contributions in 2009/10 and 2010/11 to reduce their deficit position.

Table 3 – Collection Fund Deficit (2010/11)

Precepting Authority	Apportioned Surplus/(Deficit) £'000
North Hertfordshire District Council	14
Hertfordshire County Council	(91)
Hertfordshire Police Authority	(5)

4.11 As part of the budget setting process for 2011/12 no contribution to or from the collection fund was planned from the 2011/12 general fund budget.

General Fund Balances Projected For 2011/12

- 4.12 A review of all the net under and over spends is estimated to result in an increase in General Fund expenditure in 2011/12 of £7k (see table 1, paragraph 4.1, excludes carry forwards).
- 4.13 The revised 2010/11 year end General Fund balance impacts on the projected balance as at 31st March 2012. Because the net spend in 2010/11 was lower than expected it is not necessary to transfer any funds from the special reserve into the general fund in order to maintain the required minimum General Fund Balance of £1.638 million (5% of net budget plus an estimate for financial risks). A summary of the transactions creating this change are shown in Table 4:

Table 4 Projected General Fund Balances as at 31st March 2012

(Key: - = reduction in expenditure, + = increase in expenditure)

Projected General Fund Balances as at 31st March 2012	£'000
Balance Brought Forward (1/4/2011)	-1,923
Original Projected Net District Spend	+15,872
Parish Precepts	+897
Precept Receipts & Government Grants	-16,979
Contribution from Special reserve	0
Changes to budget agreed at 3 rd Quarter Report	+58
Changes to budget proposed in this report	+7
Carry Forwards Agreed and requested	+290
Strategic Priorities Fund	+100
Balance Carried Forward (31/3/2012)	-1,678

- 4.14 The total revenue balances available in the general fund and the special reserve at the 1st April 2011 is £2.890million. This is £746k higher than when the original budget for 2011/12 was estimated and approved in February 2011. However, £390k of this increase in balances is due to the 2010/11 carry forward budgets and the strategic priorities fund which have been requested to be spent in 2011/12 instead. Other 2011/12 budgets have also been increased by a total of £65k as a result of revised estimations. The projected general fund and special reserve balance at the 31st March 2012 is therefore, now £292k higher than when the 2011/12 budget was approved in February. Table 5 summarises the effect on balances of the overall increase in balances.

Table 5 Reconciliation of 2010/11 General Fund under spend

(Key: - = reduction in expenditure, + = increase in expenditure)

Reconciliation of Under Spends on General Fund	£'000
Net underspend on General Fund between Council Tax setting & 3 rd quarter (reported to Cabinet 15 February 2011)	-348
Increase in 2011/12 net costs reported to Cabinet 15 February 2011	+58
Under spend on General Fund between 3 rd quarter and 2010/11 closure (Table 1)	-399
Carry Forwards approved and requested	+290
Strategic Priorities Fund	+100
Increase in 2011/12 net costs identified in Table 1	+7
Total projected increase in balances	-292

- 4.15 The changes to the General Fund budget will be incorporated into the Medium Term Financial Strategy and Members are reminded that the 5 year Budget Forecast for the period 2011/12 to 2015/16, shows that expenditure exceeds income and use of balances and requires annual efficiency targets.

- 4.16 The balance on the Special reserve and the General Fund was projected to be £2.353million at 31 March 2012, the projected balance for both reserves is now estimated to be £2.645million, an increase in balances of £292k.

Earmarked Reserves

Reserves

- 4.17 A reserve can be established from 'events that have allowed monies to be set aside, surpluses or decisions causing anticipated expenditure to have been postponed or cancelled.' The total value of the earmarked reserves is £2.836million as at 31st March 2011. There was a net transfer to the General Fund in 2010/11 from the earmarked reserves of £483k. This is detailed in table 6 and Members are asked to approve.

Table 6 –Earmarked Reserves 2010/11

	Balances at 1 April 2010	Contributions	Payments to Fund expenditure	Balances at 31 March 2011
	£'000	£'000	£'000	£'000
Special Reserve	967cr	0	0	967cr
Insurance Reserve	107cr	7cr	31dr	83cr
Information Technology Reserve	736cr	235cr	520dr	451cr
Environmental Warranty Reserve	209cr	0	0	209cr
S106 Monitoring	36cr	33cr	16dr	53cr
Housing Planning Delivery Reserve	1,073cr	118cr	241dr	950cr
Museum Exhibits Reserve	12cr	0	0	12cr
Building Control Reserve	50cr	0	29dr	21cr
Hitchin Museum Donations	1cr	1cr	0	2cr
Cemetery Mausoleum	33cr	49cr	1dr	81cr
Concessionary Fares	82cr	0	82dr	0
Property Maintenance	6cr	10cr	9dr	7cr
Leisure Management Reserve	7cr	10cr	17dr	0
Total Revenue Reserves	3,319cr	463cr	946dr	2,836cr

5. TREASURY MANAGEMENT ACTIVITY 2010/11

- 5.1 The Treasury Management Statement in Appendix C details the treasury management activities for 2010/11. This sets out the total borrowing and interest earned on investments for the year. A total of £1million interest was generated in the year from an average daily balance of £55.3million of cash investments. This is £5k more than the working budget and £551k less than the original budget for 2010/11.

6. LEGAL IMPLICATIONS

- 6.1 The Accounts and Audit Regulations 2011 require that the responsible finance officer certify that the Annual Statement of Accounts presents a true and fair view of the financial position of the Authority by no later than 30th June of the following year. A Committee or Member meeting must then consider and approve, by way of resolution, the Statement of Accounts by the 30th September.
- 6.2 Members are reminded of the duty to set a balanced budget and to maintain a prudent balance.

7. FINANCIAL AND HUMAN RESOURCE IMPLICATIONS

- 7.1 Financial implications are contained in the body of the report.
- 7.2 There are no direct human resource implications arising from this report.

8. RECOMMENDATIONS

- 8.1 That Cabinet approves a decrease of £399k in the 2010/11 General Fund expenditure (Paragraph 4.1, Table 1 refers).
- 8.2 That Cabinet approves the additional carry forward of budgets making the total carry forwards for the year, £290k. (Appendix B refers).
- 8.3 That Cabinet approves a budget of £100k for a Strategic Priorities Fund for 2011/12 (paragraph 4.5 refers)
- 8.4 That Cabinet approves the amendments to the 2011/12 budget, a net increase in expenditure of £7k (paragraph 4.1, Table 1 refers).
- 8.5 That Cabinet recommend that Council approve the net transfer from earmarked reserves of £483k, (Paragraph 4.17 refers).
- 8.6 That Cabinet notes the Council's treasury management activities for 2010/11.

9. REASONS FOR RECOMMENDATIONS

- 9.1 To ensure Cabinet's budget monitoring role is fulfilled before the finalisation of the Annual Statement of Accounts by the 30th June.
- 9.2 To ensure scrutiny of the Council's treasury management activities for 2010/11.

10. APPENDICES

- 10.1 Appendix A – General Fund Summary 2010/11
- 10.2 Appendix B – Carry Forward Budgets requested for 2010/11
- 10.3 Appendix C - Treasury Management Activity 2010/11

11. CONTACT OFFICERS

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12. BACKGROUND PAPERS

- 12.1 Revenue Estimates 2010/2011
Financial Ledger (March 2011) Unaudited