

**CABINET**  
27 September 2011

**\*PART 1 – PUBLIC DOCUMENT**

**AGENDA ITEM No.**

**DRAFT**

**FIRST QUARTER REVENUE MONITORING 2011/12**

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

**1. PURPOSE OF REPORT**

- 1.1 The purpose of this report is to inform Cabinet of the summary position on income and expenditure for the period April to June 2011 for the General Fund and the Council's trading account, Careline.
- 1.2 This report will highlight significant variances (+/- £25K or +/- 25%) on the working budget with explanations and impact upon next year's base budget and the position of the Careline trading account.
- 1.3 The report also highlights, with the use of a traffic light system, the position with regard to the carry forward balances and efficiencies approved for the year.
- 1.4 Key items that greatly influence the 'financial health' of the Council are monitored and reported here as key Corporate Health indicators.

**2. FORWARD PLAN**

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

**3. BACKGROUND**

- 3.1 Members approved the General Fund 2011/12 estimates in February 2011 and approved General Fund net expenditure of £15.872million. In addition to the 2011/12 original budget, Members approved carry forward budgets of £290k (15 February 2011 £288k, 14 June 2011 £2k), a contribution to a strategic priorities fund of £100k and a net increase to the base budget of £65k. The total working budget for 2011/12, was therefore, £16.327million.
- 3.2 The 2011/12 General Fund estimates included expenditure reduction and income generation proposals of £1.9million, agreed as part of the Corporate Business Planning process, and an allowance of £0.848million for known financial risks in reserves following an assessment of the risk register.

## 4. ISSUES

### Executive Summary

Issue	Comment
General Fund Reserve Balance	The opening balance of the general fund reserve as at 1 April 2011 was £1.924million. The general fund reserve is forecast to have a balance of £1.566million at 31 March 2012.
Allowance for financial risks	The budgeted minimum general fund balance of £1.638million included an allowance of £0.848million for known financial risks. As at the end of the first quarter £72k of these risks had been realised leaving a remaining balance of £0.776million.
Earmarked Reserves	As at April 2011 there was a balance of £3.023million in other useable earmarked reserves. The balance is forecast to be £2.532million at 31 March 2012. This includes a balance of £0.938million in the special reserve.
Net general fund expenditure for 2011/12	Forecast net expenditure in 2011/12 of £16.469million.
Net overspend / underspend as at the end of the quarter	An increase of £142k over the working budget of £16.327million is reported to Members at the end of the first quarter.
Achievement of Savings	Of the £1.913million of expenditure reduction and income generation proposals agreed in the 2011/12 original budget £1.737million (91%) is expected to be achieved in 2011/12.
Budgets Carried Forward from 2010/11	Of the £290k of carry forward budgets into 2011/12 £56k (19%) has been spent by the end of the first quarter. It is forecast all the £290k will be spent by the end of the year.
Key Financial Indicators	Of the five indicators three are at amber status.

### General Fund – Income and Expenditure

- 4.1 The projected expenditure on the General Fund is now estimated to be £16.469million. This is a net increase of £142k on the working budget of £16.327million. The significant changes (+/- £25K or +/- 25% of the working budget) to the General Fund expenditure are detailed in table 1. Some of the increases in spend were identified in the general fund reserve balance for 2011/12 as a financial risk and as such £72k of the overspends included in the net overspend of £142k is covered from this balance. Effects on the 2012/13 budget total an increase of £35k.

**Table 1: Significant changes to the General Fund**

Expenditure/ Income	Working Budget £'000	Revised Estimate £'000	Increase / Decrease(-) £'000	Comment	Effect on 2012/13 Budget £'000
Leisure Management					
• Fees and Charges	0	-112	-112	VAT refund from HMRC relating to sports courses and follows a change in legislation. Partly offset by the fees payable to PwC for handling the submission	0
• Other Hired Services	+2	+24	+22		
		-88	-90		

<b>Expenditure/ Income</b>	<b>Working Budget £'000</b>	<b>Revised Estimate £'000</b>	<b>Increase / Decrease(-) £'000</b>	<b>Comment</b>	<b>Effect on 2012/13 Budget £'000</b>
Treasury Management • Interest income from cash investments	-1,004	-1,094	-90	As at 30 June the average interest rate on all outstanding investments was 2.42%. The original estimate assumed new deals would achieve 1.75% but the average rate achieved has been 2.04%. The increase is mainly due to more investments being made for longer than 364 days	
Parking • Fees and Charges	-1,964	-1,887	+76	Car park ticket sales are 4.7% lower than the same period in 2010/11. Also chargeable parking has yet to be implemented in Knebworth and Baldock and it was anticipated this would generate £56k of income.	+48
Trade Refuse • Fees and Charges	-744	-772	-28	Following the increase in fees for 2011/12 the number of service cancellations has been significantly lower than expected.	-28
Office Accommodation • Premises costs	+439	+468	+29	Due to the fact that Town Lodge and the Museum loft were not 100% empty during the first quarter costs have been incurred over and above the efficiency target. These include £10k for cleaning and £7k for electricity and gas. In addition a £10k increase in electricity costs is expected at DCO for the year.	
Strategic Sites • reimbursements	0	-35	-35	It is anticipated 60% of the Council's costs will be reimbursed following the successful outcome of the West A1M challenge. (the £60k incurred was reported in the 2010/11 outturn report in June before the outcome of the challenge was known).	

Expenditure/ Income	Working Budget £'000	Revised Estimate £'000	Increase / Decrease(-) £'000	Comment	Effect on 2012/13 Budget £'000
Private Sector Housing • other hired services	+20	0	-20	Stock Condition Survey work will be undertaken in 2012/13 using the 2011 Census to compile the survey (details from the survey are expected to be known in summer 2012).	+20
Employee budget • salary savings following restructure • redundancy payments • salary savings as a result of restructures in Parking and IT services. • Vacancy Control target  <b>Net variance on employee budget</b>	-823 +150 -400	-691 +187 -300	+132 +37 +100  <b>+269</b>	While the full on-going saving target from the restructures will be achieved in future years the fact that some officers left part way through 2011/12 means not all the saving in this year will be achieved. Total amount of redundancy and pension strain costs payable are more than the amount originally estimated (before it was known which officers would be made redundant). There are less vacant posts resulting in an under-achievement of the vacancy control target.	
Other minor variances			+31		-5
<b>Total increase in General Fund expenditure</b>			<b>+142</b>		<b>+35</b>

#### Trading Accounts-Income and Expenditure

- 4.2 The 2011/12 budgeted net deficit for Careline is £119k. The outturn deficit for 2010/11 was £74k while in 2009/10 Careline achieved a net surplus for the Council of £88k. The loss of a key client and a significant reduction in the size of contract with another key client has been the main reason for the current position.

#### Carry Forward Budgets

- 4.3 There are a total of £290,000 of budgets carried forward from 2010/11 into 2011/12. As at the end of the first quarter £56,000 of these budgets had been spent.
- 4.4 A condition of carry forwards is that there is a clear plan for spending the budget. The carry forward budgets are given a traffic light code to signify whether there is a problem with spending or completing the project. There are no carry forwards at red status and five carry forwards at amber at the end of June 2011. This indicates there are five carry forward budgets that are still anticipated will be spent but there is a risk this may not be achieved in the normal timeframe.

**Table 2 - Progress of carry forward budgets**

Carry Forward	Amber/ Red	Budget £'000	Projected Variance £'000	Explanation
Area Committee	A	+65	0	The majority of funds have been allocated and are awaiting to be spent.
Highways Repairs and Maintenance	A	+53	0	LABGI funds were put aside for essential road markings repairs to enable continued enforcement of TROs. The funds are committed to known repairs. £11,000 of this money will be spent by November 2011, £3,000 on publishing TRO's and £8,000 to Hertfordshire Highways for consultancy work. Implementation of the TRO's will happen in the last quarter of the year. It is anticipated that all of the budget will be spent by March 2012.
Highways – parking town-wide reviews	A	+71	0	The priority areas have been selected for the Baldock town-wide review. On street survey work and questionnaires have been carried out and are being analysed to ensure the most appropriate restrictions are implemented within Baldock and in Knebworth. Baldock TRO's will be published in Sep/Oct 2011 and again in January 2012 which will cost £4,000. The TRO's will then be implemented in the last quarter of the year. It is anticipated that all of the budget will be spent by March 2012.
Building Control – software to enable electronic applications	A	+15	0	Funds given to Building Control from the DMS Outsourcing project to buy software to allow applications to be received electronically. Demonstrations of Idox and possible in-house solution have been completed. Awaiting details of any added functionality and timescales with regard in-house solution before selecting the best solution.
Town Centre Repairs and Maintenance	A	+46	0	Funds will be spent in Royston for maintenance at church lane which will total £22,000. This work will be carried out in November 2011. Maintenance of Baldock Town Centre and grassed areas are to be carried out. Grassed area works will be complete by Oct 2011, still awaiting quotes for work. Also potential £7,000 to be spent on street cleaning, need to confirm with waste manager.

#### **Expenditure Reduction and Income Generation Proposals Incorporated in the 2011/12 Budget**

- 4.5 A total of £1.913million of proposals were approved within the 2011/12 budget. At the end of the first quarter it is anticipated that £1.737million (91%) will be achieved. This is summarised in table 3. Further detail is provided in table 4. Any variance reported in this table has also been incorporated in the revised general fund estimated spend in table 1.

**Table 3: Summary of all 2011/12 efficiency proposals as at the end of the first quarter**

	Budgeted Efficiency	Revised Estimate	Variance	Comment
	£'000	£'000	£'000	
Budget Scrutiny efficiencies	-123	-123	0	
Expenditure Reduction efficiencies	-432	-392	+40	Individual comments in table 4.
Income Increases	-325	-321	+4	Over-achievement of income for the trade waste service due to lower service cancellations than expected helps to offset the under-achievement reported in table 4.
Capital funding of IT capital projects	-210	-210	0	
Staff Restructure	-563	-530	+33	The majority of the restructure has been implemented as per the estimates in the original budget. £26k of the variance relates to a reschedule of final end dates for two officers. There is a further variance of £8k on the original estimated saving.
Senior Mgmt Restructure & Terms & Conditions	-260	-161	+99	It is anticipated the full year saving of £260k will be achieved in 2012/13 and onwards.
<b>Total efficiency proposals</b>	<b>-1,913</b>	<b>-1,737</b>	<b>+176</b>	

**Table 4- Efficiency Budgets at Amber or Red Status**

Efficiency Option	Amber/Red	Budgeted Saving £'000	Projected Variance £'000	Explanation
Reduction in Office Accommodation costs as a result of vacating Town Lodge	R	-71	+29	Due to the fact that Town Lodge and the Museum loft were not 100% empty during the first quarter costs have been incurred over and above the efficiency target. These include £10k for cleaning and £7k for electricity and gas. In addition a £10k increase in electricity costs is expected at DCO for the year..
Move remote venues to a web based Citrix service rather than direct links	R	-14	+8	This can only be done once the server farm has been moved out of Town Lodge and in to DCO at the end of June. Phase 2 is to relocate the communications links to the new environment. The project to move between buildings is a large piece of work and IT have to make sure all sites stay connected at the same time as relocating pieces of hardware.
Cancel subscription to Newsflash - media monitoring system	R	-3	+3	NHDC are contracted into our Newsflash subscription until 13 May 2012 and the saving can not be made during 2011/12.

				Notice has been given to the supplier to say that we want to cancel the agreement for next year.
Increase charges for interment of Ashes and burials	R	-72	+23	Charges were increased as at 1st April. The income target for quarter 1 underachieved by £16k. Burial trends across the region appear to be down following consultation with other authorities and this under-achievement doesn't appear to be related to the increase in charges
Income as a result of joint working on NNDR administration	R	-20	+10	The new Head of Service at Dacorum has a remit to outsource or find an alternative, more permanent solution. NHDC will continue to provide ad-hoc consultancy type work on the more complex cases. The under-achievement of income is partly offset by work being undertaken for Broxbourne to assist with Benefit Appeals during a period of maternity leave. That is coming to an end, but there are discussions around extending this arrangement.
<b>Total</b>			<b>+72</b>	

#### Key Corporate 'Financial Health' Indicators

- 4.6 There are 5 key corporate 'financial health' indicators identified and listed in table 5 below. These indicators reflect specific aspects of the budget which have a significant impact on the overall Council's net budget and are likely to be influenced by changes in the external environment. From 1 April 2011 activity data of these indicators is maintained on the Council's performance system, Covalent, and the reports for the period April to June 2011 are contained in appendix B.

**Table 5 – Key Corporate 'Health' Indicators**

Indicator	Original Budget £'000	Working Budget £'000	Actual to date £'000	Projected Variance to Original Budget £'000
Building Control Fees	-519	-519	-113	0
Planning Application Fees	-475	-475	-93	0
Land Charges	-189	-189	-57	0
Car Parking Fees	-2,009	-1,964	-467	+122
Housing and Council Tax Benefit Payments	+41,848	+43,244	+16,221	+1,396

- 4.7 The reports in appendix B show car parking tickets, planning control applications and building control applications at amber status because activity to the end of June was less than the same period in 2010/11. Much of this downturn has been reflected in the original budget for 2011/12 and at this stage of the year it is only car parking fees which are projected to under-achieve the budget. The number of tickets sold in the Council's

car parks has reduced over the last few years and it seems this trend is continuing in 2011/12.

### General Fund Balances Projected for 2011/12

- 4.8 The revision to the 2011/12 working budget of General Fund projected net expenditure will result in a decrease of £142k in the year end General Fund balance .
- 4.9 As a result of these revisions it would be necessary to increase the contribution from the special reserve in order to maintain the minimum General Fund balance. However, the realisation of some of the financial risks identified for 2011/12 reduces the necessary minimum general fund balance from £1.638million, agreed in the February budget setting report, to £1.566million. Therefore, only a minor contribution of £29k is required to be contributed from the special reserve. A summary of the transactions to the projected year end general fund balance is shown in table 6.

**Table 6: Projected General Fund Balances as at 31 March 2012**

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

Projected General Fund Balances as at 31 March 2012	£'000
<b>Balance Brought Forward (1/4/2011)</b>	<b>1,924cr</b>
Projected Net Spend (including precepts)	17,366dr
Precept Receipts & Government Grants	16,979cr
Contribution from Strategic Reserve	29cr
<b>Balance Carried Forward (31/3/2012)</b>	<b>1,566cr</b>

### Earmarked Reserves

- 4.10 The Council has a number of earmarked reserves which can be used to fund revenue expenditure, these are detailed in Table 7.
- 4.11 Following the audit of the 2010/11 Statement of Accounts it has been necessary to create a new earmarked reserve for the revenue element of the Performance Reward Grant that has been received for the North Hertfordshire Partnership. At the 1 April 2011 £187k remained unspent.

**Table 7 – Earmarked Reserves 2011/12**

	Balances at 1 April 2011	Projected Contributions	Projected Payments to Fund expenditure	Projected Balance at 31 March 2012
	£'000	£'000	£'000	£'000
Special Reserve	967cr	0	29dr	938cr
Housing Planning Delivery Reserve	951cr	0	278dr	673cr
Information Technology Reserve	450cr	0	110dr	340cr
Environmental Warranty Reserve	209cr	0	0	209cr
Performance Reward Grant Reserve	187cr	0	98dr	89cr
Insurance Reserve	83cr	0	0	83cr
Cemetery Mausoleum	81cr	15cr	0	96cr
S106 Monitoring	53cr	16cr	16dr	53cr
Building Control Reserve	21cr	0	21dr	0
Museum Exhibits Reserve	12cr	0	0	12cr
Property Maintenance	7cr	10cr	0	17cr
Hitchin Museum Donations	2cr	0	0	2cr
Leisure Management Reserve	0cr	20cr	0	20cr
<b>Total Revenue Reserves</b>	<b>3,023cr</b>	<b>61cr</b>	<b>552dr</b>	<b>2,532cr</b>



- 4.12 A net total of £491k is anticipated to be used from earmarked reserves during 2011/12 leaving a balance at 31 March 2012 of £2.532million. The balance of maintaining appropriate balances in the Council's reserves is addressed in the Corporate Business Planning process.

## **5. LEGAL IMPLICATIONS**

- 5.1 There are no legal implications at this stage although Members are reminded of the duty to set a balanced budget and to maintain a prudent balance.

## **6. FINANCIAL AND RISK IMPLICATIONS**

- 6.1 Members have been advised of any variations from the budgets in the body of this report and of any action taken by officers.
- 6.2 The projected general fund balance of £1.566million meets the recommended minimum balance of General Fund reserves agreed when the budget was set, after adjustments for the financial risks which have occurred. The minimum balance for 2011/12 contains a 5% tolerance on net expenditure for unknown risks and an allowance of £776k for identified key financial risks which had a total potential risk value of £3.1million.
- 6.3 The Council is aware there is a potential claim for refund of charges made for property searches under the Local Land Charges Act 1975 and/or the Local Government and Housing Act 1989 from the 14th February 2005 to the present. We do not yet know the value of the claim against this Authority. However, a provision of £35k has been created to cover future costs. This has been funded from a one off government grant received in 2010/11 for loss of income and any claims arising in 2011/12. Further, an allowance of £28k has been included in the financial risks in the general fund balance. A significant number of Councils are involved in the action and the Local Government Association (LGA ) are co-ordinating a national response which will include legal advice.

## **7. HUMAN RESOURCE AND EQUALITIES IMPLICATIONS**

- 7.1 Although there are no direct human resource implications at this stage, care is taken to ensure that where efficiency proposals or service reviews may effect staff, appropriate communication and consultation is provided in line with HR policy.

## **8. RECOMMENDATIONS**

- 8.1 Cabinet is requested to ask any questions which may arise from the report's contents and note this report.
- 8.2 Cabinet is requested to approve the changes to the 2011/12 General Fund budget identified in paragraph 4.1, table 1, a £142k increase in net expenditure.
- 8.3 Cabinet is asked to approve the changes to the 2012/13 budget detailed in paragraph 4.1, table 1, a £35k increase in net expenditure.

## **9. REASONS FOR RECOMMENDATIONS**

- 9.1 Members are able to monitor and request appropriate action of Directorates who do not meet the budget targets set as part of the Corporate Business Planning process.

9.2 Changes to the Council's balances are monitored and approved.

## **10. CONTACT OFFICERS**

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## **11. BACKGROUND PAPERS**

11.1 Estimates 2011/12

Statement of Accounts 2010/11

## **12. APPENDICES**

12.1 Appendix A General Fund Summary

12.2 Appendix B Performance Reports on Key Financial Health Indicators