

**TITLE OF REPORT: FIRST QUARTER REVENUE MONITORING 2012/13**

**REPORT OF THE STRATEGIC DIRECTOR OF FINANCE, POLICY & GOVERNANCE**

**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 2012 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 2012.

**3. BACKGROUND**

- 3.1 Members approved the General Fund 2012/13 estimates in February 2012 and approved General Fund net expenditure of £15.566million. In addition to the 2012/13 original budget, Members approved carry forward budgets of £418k, a contribution to a strategic priorities fund of £100k and a net decrease to the base budget of £38k. The total working budget for 2012/13, was therefore, £16.046million.
- 3.2 The 2012/13 General Fund estimates included efficiency proposals of £0.6million and investment proposals of £119k agreed as part of the Corporate Business Planning process, and an allowance of £0.890million for known financial risks in reserves following an assessment of the risk register.

## 4. ISSUES

### Executive Summary

Issue & Relevant Table	Comment
Net general fund expenditure for 2012/13 (Table 1)	Forecast net expenditure in 2012/13 is £15.914million. This is £132k lower than the working budget.
Budgets Carried Forward from 2011/12 (Table 2)	Of the £418k of carry forward budgets into 2012/13 £110k (26%) has been spent by the end of the first quarter. It is forecast all the £418k will be spent by the end of the year.
Achievement of Efficiencies (Table 3)	Of the £609k of efficiency proposals agreed in the 2012/13 original budget £602k (99%) is expected to be achieved in 2012/13.
Key Financial Indicators (Table 4)	One of the five indicators are at red status. The remaining four are at green status.
General Fund Reserve Balance (Table 5)	The general fund reserve is now forecast to have a balance of £2.111million at 31 March 2013. This is £463k higher than the revised minimum balance of £1.648million.
Allowance for financial risks (Table 6)	The budgeted minimum general fund balance of £1.668million included an allowance of £0.890million for known financial risks. As at the end of the first quarter £20k of these risks had been realised leaving a remaining balance of £0.870million.
Earmarked Reserves (Table 7)	As at April 2012 there was a balance of £2.776million in other useable earmarked reserves. The balance is forecast to be £2.429million at 31 March 2013. This includes a balance of £1.167million in the special reserve.

#### General Fund – Income and Expenditure

- 4.1 The projected expenditure on the General Fund is now estimated to be £15.914million. This is a net decrease of £132k on the working budget of £16.046million. 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 2012/13 as a financial risk and as such £20k of the overspends included in the net underspend are covered from this balance. Effects on the 2013/14 budget, which will be reflected in the draft budget, total a decrease of £72k.

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

<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 2013/14 Budget £'000</b>
Treasury Management <ul style="list-style-type: none"> <li>• Interest income from cash investments</li> <li>• Revenue contribution to capital expenditure</li> </ul>	-1,092	-1,180	-88	The original budget assumed 2.0% for new cash manager deals during 2012/13. The Council has two cash managers; Sterling achieved an average of 2.36% on new deals in the first quarter and Tradition achieved 2.24%. Since there are inadequate capital receipts available to fund the 2012/13 capital programme this additional income will be used as a contribution to capital.	0
	0	+88	+88		
IT <ul style="list-style-type: none"> <li>• Contributions from other Local Authorities</li> </ul>	0	-23	-23	The Information Unit are providing services to Hertsmere and Welwyn Councils with regards to the National Land Property Gazetteer (NLPG) work. Both of these contracts run until the 31 March 2013.	
Parking Services <ul style="list-style-type: none"> <li>• NNDR</li> </ul>	+167	+145	-22	Lower business rates chargeable than estimated.	
Leisure Management <ul style="list-style-type: none"> <li>• Hitchin and Royston Contract payments</li> </ul>	+111	+81	-30	Further savings were agreed on the contract after the 2012/13 budget was approved.	
Public Conveniences <ul style="list-style-type: none"> <li>• Parishes management payments</li> </ul>	+40	+24	-16	Transfer of public conveniences at Ashwell, Knebworth and Royston to Parish Councils at a cost of £8K per annum.	
Office Accommodation <ul style="list-style-type: none"> <li>• Other hired services</li> </ul>	+34	+68	+34	Preparation of an outline design and specification for refurbishment of DCO as part of the plan for provision of office accommodation over the longer term. As per agreement by Members at March Cabinet. External valuers	

Expenditure/ Income	Working Budget £'000	Revised Estimate £'000	Increase / Decrease(-) £'000	Comment	Effect on 2013/14 Budget £'000
				contracted to provide valuations of Council Properties for Audit purposes.	
Housing and Council Tax Benefits • Net payment/subsidy position	+293	+208	-85	This update to the budget position reflects the completion of the mid-year estimate submitted to DWP. Housing and Council Tax Benefit payments will total over £47million in 2012/13 and will be mostly offset by subsidy from DWP.	-85
Community Events • Olympics/Jubilee events management	+44	+27	-17	This relates to the investment bid that was approved for 2012 events. A proportion of the budget was allocated to the Queens visit which was announced at short notice. All commitments have now occurred and the total spend is £26,829.	
Democratic Services • Letchworth Town Council Review	0	+43	+43	Total cost of the review of Letchworth Town Council, approved at full council, is estimated to be £43k.	
Other minor variances			-16		+13
<b>Total increase in General Fund expenditure</b>			<b>-132</b>		<b>-72</b>

#### Trading Accounts-Income and Expenditure

- 4.2 The 2012/13 budgeted net deficit for Careline is £143k. The outturn deficit for 2011/12 was £80k. These reported deficit positions include all overheads (recharges). Careline is being actively managed and a value for money review is due to be completed shortly which will identify options for the future.

#### Carry Forward Budgets

- 4.3 There are a total of £418k of budgets carried forward from 2011/12 into 2012/13. As at the end of the first quarter £110k 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 within the timeframe. There are no carry forwards at red status and two carry forwards at amber at the end of June 2012. This indicates there are two 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
Town Centre Maintenance	A	+39	0	Officers are seeking quotations on required maintenance of Baldock Town Centre, in terms of grassed areas, street cleansing and highway issues. Quotations have also been received to undertake maintenance work in Hitchin Town Centre. Once these quotations are received works will then be carried out in 2012/13, and it is anticipated that the total carry forward of £38,600 will be required. An on-going maintenance plan is under preparation which will improve the profiling of this budget going forward.
Town Area Wide Reviews for TROs	A	+143	0	Publication of the Baldock, Knebworth and Hitchin draft TROs will take place in 2012/13 with implementation in late 2012/2013 and possibly into early 2013/14. Work will start in late 2012/13 on the Letchworth town wide parking review.

**Efficiency Proposals Incorporated in the 2012/13 Budget**

- 4.5 A total of £609k of proposals were approved within the 2012/13 budget. Of these £360k had already been achieved at the time of setting the 2012/13 budget. At the end of the first quarter it is anticipated that £242k (97%) of the remaining £249k will be achieved. This is summarised in table 3. 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 2012/13 efficiency proposals as at the end of the first quarter**

	Budgeted Efficiency £'000	Revised Estimate £'000	Variance £'000	Comment
Already achieved staff reductions	-215	-215	0	
Already achieved other expenditure reductions	-145	-145	0	
<b>Sub-Total</b>	<b>-360</b>	<b>-360</b>	<b>0</b>	
Further staff reductions	-168	-153	+15	All staff reduction proposals now implemented to achieve full saving in future years. Slight delay means not all the saving will be achieved in 2012/13.
Further expenditure reductions	-81	-89	-8	Over-achievement of saving on public conveniences.
<b>Sub-Total</b>	<b>-249</b>	<b>-242</b>	<b>+7</b>	
<b>Total efficiency proposals</b>	<b>-609</b>	<b>-602</b>	<b>+7</b>	

### Key Corporate 'Financial Health' Indicators

- 4.6 There are 5 key corporate 'financial health' indicators identified and listed in table 4 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. Activity data of these indicators is maintained on the Council's performance system, Covalent.

**Table 4 – Key Corporate 'Health' Indicators**

Indicator	Original Budget £'000	Working Budget £'000	Actual to date £'000	Projected Variance to Original Budget £'000
Building Control Fees – Green	-430	-430	-116	0
Planning Application Fees - Green	-475	-475	-131	0
Land Charges - Green	-183	-183	-58	0
Car Parking Fees - Green	-1,515	-1,515	-377	0
Housing and Council Tax Benefit Payments - Red	+45,225	+45,225	+16,773	+2,125

- 4.7 Building control, planning applications, land searches and car parking ticket sales numbers have been consistent to the budget profile in the first quarter. The mid year estimate for housing and council tax benefits has forecast a continued increase in the number of claimants resulting in the variance to budget reported in table 1.

### General Fund Balances Projected for 2012/13

- 4.8 The revision to the 2012/13 working budget of General Fund projected net expenditure will result in an increase of £132k in the year end General Fund balance.
- 4.9 Two of the known financial risks have been realised in the first quarter (specialist legal advice and enforcement of planning notices) and the remaining balance for known financial risks has been reduced accordingly. A summary of the transactions to the projected year end general fund balance is shown in table 5 and the movement of the necessary minimum general fund balance is shown in table 6. The expected balance in the general fund of £2.111million is £463k higher than the minimum approved balance of £1.648million.

**Table 5: Projected General Fund Balances as at 31 March 2012**

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

Projected General Fund Balances as at 31 March 2013	£'000
<b>Balance Brought Forward (1/4/2012)</b>	<b>2,674cr</b>
Projected Net Spend (including precepts)	16,841dr
Precept Receipts & Government Grants	16,478cr
Contribution to Special Reserve	200dr
<b>Balance Carried Forward (31/3/2013)</b>	<b>2,111cr</b>

**Table 6: Minimum General Fund Balance**

	£'000
<b>Original Budgeted minimum general fund balance</b>	<b>1,668cr</b>
Known financial risks realised in quarter 1	20dr
<b>Revised minimum general fund balance</b>	<b>1,648cr</b>
The balance consists of two elements:	
Allowance for known financial risks	870cr
Allowance for unknown financial risks	778cr
	<b>1,648cr</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.

**Table 7 – Earmarked Reserves 2012/13**

	Balance at 1 April 2012	Projected Contributions	Projected Payments to Fund expenditure	Projected Balance at 31 March 2013
	£'000	£'000	£'000	£'000
Special Reserve	967cr	200cr	0	1,167cr
Housing Planning Delivery Reserve	648cr	0	308dr	340cr
Information Technology Reserve	382cr	0	59dr	323cr
Environmental Warranty Reserve	209cr	0	0	209cr
Performance Reward Grant Reserve	71cr	0	71dr	0
Insurance Reserve	90cr	0	0	90cr
Cemetery Mausoleum	96cr	15cr	0	111cr
S106 Monitoring	72cr	0	16dr	56cr
Homelessness	72cr	0	8cr	64cr
Building Control Reserve	42cr	0	42dr	0
DWP Additional Grants	41cr	0	41dr	0
Climate Change Grant	28cr	0	28dr	0
Museum Exhibits Reserve	12cr	0	0	12cr
Property Maintenance	15cr	10cr	0	25cr
Paintings Conservation	11cr	0	0	11cr
Childrens Services	6cr	0	6dr	0
Hitchin Museum Donations	2cr	0	0	2cr
Leisure Management Reserve	12cr	20cr	13dr	19cr
<b>Total Revenue Reserves</b>	<b>2,776cr</b>	<b>245cr</b>	<b>592dr</b>	<b>2,429cr</b>

- 4.11 A net total of £347k is anticipated to be used from earmarked reserves during 2012/13 resulting in a balance at 31 March 2012 of £2.429million. 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 £1.648million 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 2012/13 contains a 5% tolerance on original net expenditure for unknown risks and an allowance of £870k for identified key financial risks which had a total potential risk value of £3.3million.
- 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 £51k has been created to cover future costs. This has been mainly funded from a one off government grant received in 2011/12 for loss of income and any claims arising. Further, an allowance of £15k 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 2012/13 General Fund budget identified in paragraph 4.1, table 1, a £132k decrease in net expenditure.
- 8.3 Cabinet is requested to note the changes to the 2013/14 general fund budget, identified in paragraph 4.1, table 1, a £72k decrease in net expenditure which will be reflected in the draft 2013/14 budget in December.

## **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**

### Author

10.1 Tim Neill, Accountancy Manager, Tel 474461, email, [tim.neill@north-herts.gov.uk](mailto:tim.neill@north-herts.gov.uk).

### Contributors

10.2 Norma Atlay, Director of Finance, Tel 474297,  
email, [norma.atlay@north-herts.gov.uk](mailto:norma.atlay@north-herts.gov.uk)  
Andrew Cavanagh, Head of Finance, Performance and Asset Mngt, Tel 474243,  
email [andrew.cavanagh@north-herts.gov.uk](mailto:andrew.cavanagh@north-herts.gov.uk)

## **11. BACKGROUND PAPERS**

11.1 Estimates 2012/13  
Statement of Accounts 2011/12

## **12. APPENDICES**

12.1 Appendix A General Fund Summary