

TITLE OF REPPRT: SECOND QUARTER REVENUE MONITORING 2012/13

REPORT OF THE STRATEGIC DIRECTOR OF FINANCE, POLICY & GOVERNANCE

This report is in draft format and will be presented in final version to Cabinet at the meeting to be held on 11 December 2012. This Committee is requested to review and note the report and that the Strategic Director of Finance, Policy and Governance to take note of any comments raised.

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 September 2012 for the General Fund.
- 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.
- 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 September 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.
- 3.3 At 1st Qtr the projected expenditure on the General Fund was estimated to be

£15.914million, this was a net decrease on the working budget of £132,000. A total of £20k of the overspends were able to be covered from the general fund reserve balance since some of the variances had been identified as a financial risk. Also reported at 1st quarter was a decrease to the base budget for 2013/14 of £72k.

4. ISSUES

Executive Summary

Issue & Relevant Table	Comment
Net general fund expenditure for 2012/13 (Table 1)	Forecast net expenditure at 2 nd Qtr is £16.024million. This is a £110k increase in the working budget.
Budgets Carried Forward from 2011/12 (Table 2)	Of the £418k of carry forward budgets into 2012/13 £146k (35%) has been spent by the end of the second quarter. There are three carry forwards at amber status that may not be spent by the end of the year that total £189k. Two of these carry forwards will be transferred to new earmarked reserves.
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)	All five indicators are at green status
General Fund Reserve Balance (Table 5)	The general fund reserve is now forecast to have a balance of £2.101million at 31 March 2013. This is £453k 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 second quarter £199k of these risks had been realised leaving a remaining balance of £0.671million.
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 £2.572million at 31 March 2013. This includes a balance of £1.067million in the special reserve, and also includes 3 new reserves.

General Fund – Income and Expenditure

- 4.1 The projected expenditure on the General Fund is now estimated to be £16.024million. This is a net increase of £110k on the working budget of £15,914million at 1st Qtr. 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 £199k of the overspends are covered from this balance. There is a net nil effect on the 2013/14 budget.

Table 1: Significant changes to the General Fund

Expenditure/ Income	Working Budget £'000	Revised Estimate £'000	Increase / Decrease(-) £'000	Comment	Effect on 2013/14 Budget £'000
Miscellaneous General Fund					
- Audit Fees	+161	+90	-71	There has been a reduction in external audit fees of 40%. This is an ongoing efficiency reflected within the Draft 13/14 Budget.	
Miscellaneous General Fund					
- Vacancy Control	-102	-180	-78	Restructure costs will be partly funded from an overachievement in the vacancy control savings target. This leaves an overall variance of £148k. This was identified as a financial risk and £50k has been set aside for this risk.	
- Restructure	0	+226	+226		
Commercial Properties				A rent review has been agreed and increased rent and back rent has been paid of £44k. This has been partially offset with the loss of 2 smaller tenants, to give a net position of £28k. This is offset against the rent review income target.	
- Rent Income	-964	-992	-28		-18
- Rent Review Target	-45	-17	28		+18
MSU					
- Postage	+96	+55	-41	The amount of post being franked has fallen over the last few years due to an increase in using electronic mail. This is an ongoing efficiency and will be shown as a budget efficiency in 13/14.	
Cost of Democracy					
- Printing	+53	+43	-10	A reduction in Committee meeting printing costs is due to the electronic availability of agendas and a decrease in the number being printed. This is an ongoing efficiency and will be shown as a budget efficiency in 13/14.	

Expenditure/ Income	Working Budget £'000	Revised Estimate £'000	Increase / Decrease(-) £'000	Comment	Effect on 2013/14 Budget £'000
Parking Services					
-Car Parking Income	-1,260	-1,230	+30	The projected outturn is in keeping with the general trend of steady decline in parking ticket sales numbers over the past five years. The shortfall this year has been slightly exacerbated by two new car parks not opening until quarter 2. The projection assumes that parking charge income for the remainder of the year will follow a similar profile to that of the past two years. This was identified as a financial risk and £14k has been set aside for this risk.	
Community Facilities					
- Hitchin Town Hall	+499	+521	+22	The variance is due to loss of income. At the time of estimating the original budget for 2012/13 it was anticipated the hall would close in December. This was bought forward to October, which means an additional loss of income. In addition income has been falling generally due to groups finding alternative venues to hold their events.	
Elections					
- By-elections	0	+17	+17	Total Cost of By-elections that are being held in two wards.	
Other minor variances			+15		0
Total decrease in General Fund expenditure			+110		0

Carry Forward Budgets

- 4.2 There are a total of £418k of budgets carried forward from 2011/12 into 2012/13. As at the end of the second quarter £146k of these budgets had been spent.
- 4.3 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 three carry forwards at amber at the end of September 2012. This indicates there are three carry forward budgets that are still anticipated will be spent but there is a risk this may not be achieved in the normal timeframe. Two of

these amber status carry forwards were reported at 1st quarter and the new amber status carry forward is reported below. Two of the amber carry forwards which are the Town Wide Review and Town Centre maintenance will be transferred to earmark reserves.

Table 2 - Progress of carry forward budgets

Carry Forward	Amber/ Red	Budget £'000	Projected Variance £'000	Explanation
IT works linked to office move	A	+7	0	These works are needed as part of the ongoing office move project, so this will be a revenue contribution to capital. The work has now been placed on hold while the future of Town Lodge is decided, dates are not known.

Efficiency Proposals Incorporated in the 2012/13 Budget

- 4.4 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 second quarter it is anticipated that £242k (97%) of the remaining £249k will be achieved. This is summarised in table 3. The £7k variance was reported at Qtr1 and at second quarter there are no further variances to report.

Table 3: Summary of all 2012/13 efficiency proposals as at the end of the 2nd quarter

	Original Budgeted Efficiency £'000	Working Budgeted Efficiency £'000	Variance to working £'000	Comment
Already achieved staff reductions	-215	-215	0	
Already achieved other expenditure reductions	-145	-145	0	
Sub-Total	-360	-360	0	
Further staff reductions	-168	-153	0	
Further expenditure reductions	-81	-89	0	
Sub-Total	-249	-242	0	
Total efficiency proposals	-609	-602	0	

Key Corporate 'Financial Health' Indicators

- 4.5 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	-209	0
Planning Application Fees - Green	-375	-375	-212	0
Land Charges - Green	-183	-190	-113	-20
Car Parking Fees - Green	-1,622	-1,622	-790	+30
Housing and Council Tax Benefit Payments - Green	+43,390	+47,350	+25,772	0

4.6 Building control, planning applications and land searches numbers have been consistent to the budget profile in the first and second quarters. A continued downward trend in ticket sales has resulted in a minor variation to budget, as reported in table 1.

General Fund Balances Projected for 2012/13

4.7 The revision to the 2012/13 working budget of General Fund projected net expenditure will result in an increase of £110k in expenditure during the year and hence a decrease in the year balances available for general fund purposes.

4.8 Four of the known financial risks have been realised in the second quarter (vacancy control target, loss of careline income, reduction in car park fees 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 £2.101million is £453k higher than the minimum approved balance of £1.648million.

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

Projected General Fund Balances as at 31 March 2013	£'000
Balance Brought Forward (1/4/2012)	2,673cr
Projected Net Spend (including precepts)	16,950dr
Precept Receipts & Government Grants	16,478cr
Contribution to Special Reserve	100dr
Balance Carried Forward (31/3/2013)	2,101cr

Table 6: Minimum General Fund Balance

	£'000
1st Quarter minimum general fund balance	1,648cr
Known financial risks realised in quarter 2	199dr
Revised minimum general fund balance	1,449cr
The balance consists of two elements:	
Allowance for known financial risks	671cr
Allowance for unknown financial risks	778cr
	1,449cr

Earmarked Reserves

- 4.9 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	100cr	0	1,067cr
Housing Planning Delivery Reserve	648cr	0	211dr	437cr
Information Technology Reserve	382cr	0	93dr	289cr
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	0	42cr
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
Town Wide Review	0	100cr	0	100cr
Town Centre Maintenance	0	25cr	0	25cr
Community Right to Bid	0	13cr	0	13cr
Total Revenue Reserves	2,776cr	283cr	487dr	2,572cr

- 4.10 A net total of £204k is anticipated to be used from earmarked reserves during 2012/13 resulting in a balance at 31 March 2012 of £2.572million. This includes the addition of 3 new reserves which are town centre review, town centre maintenance and community right to bid. The balance of maintaining appropriate balances in the Council's reserves is addressed in the Corporate Business Planning process.
- 4.11 The £100k contribution into the special reserve is from the general fund and reflects the policy to maintain and use this reserve on a phased basis for invest to save projects and to support unavoidable fluctuations in contract prices as contracts are renewed.

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 £2.101million 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 £792k 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 £71k 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 £110k 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

Author

- 10.1 Jodie Penfold, Group Accountant, Tel 474332, email, jodie.penfold@north-herts.gov.uk.

Contributors

- 10.2 Tim Neill, Accountancy Manager, Tel 474461, email, tim.neill@north-herts.gov.uk
- 10.3 Norma Atlay, Strategic Director of Finance, Policy and Governance, Tel 474297, email, norma.atlay@north-herts.gov.uk
- 10.4 Andrew Cavanagh, Head of Finance, Performance and Asset Mngt, Tel 474243, email andrew.cavanagh@north-herts.gov.uk

11. BACKGROUND PAPERS

- 11.1 Estimates 2012/13
Statement of Accounts 2011/12

12. APPENDIX

- 12.1 Appendix A General Fund Summary