

EAST HERTS COUNCIL

THE EXECUTIVE – 10 JULY 2012

REPORT BY THE EXECUTIVE MEMBER FOR FINANCE

GENERAL FUND REVENUE AND CAPITAL OUT-TURN 2011/12

WARD(S) AFFECTED: All

Purpose/Summary of Report

- To advise the Executive of the General Fund Revenue Out-turn for 2011/12 and provide explanations for significant variances against the approved Estimates.
- To advise Members of the financing arrangements for the 2011/12 Capital Outturn and the planned financing of the updated 2012/13 capital budget allowing for the approved slippage from 2011/12.

<u>RECOMMENDATIONS FOR DECISION: that:</u>	
(A)	the General Fund Revenue Out-turn for 2011/12 be approved;
(B)	the level of fund Balances at 31 March 2012 as set out within the report, be noted; and
<u>RECOMMENDATION FOR COUNCIL:</u>	
(C)	the establishment of new Reserves in respect of Environmental Pollution and Preventing Repossessions in the sums of £62k and £30k respectively, be approved.

1.0 Background

1.1 When the Council's General Fund estimates for 2011/12 were approved it was anticipated that the total net expenditure, prior to use of balances, would amount to some £15.589 million. Net use of reserves of £292k was anticipated.

1.2 In year budget monitoring and consequent actions have sought to maintain spending within budget. Members will be aware from Health check reports throughout the year that the overall staffing budgets have been continually under pressure resulting in a final over spend of around £400k. This position coupled with the adverse position on investment income has required officers to concentrate efforts on achieving savings across all other service areas. The impact of these efforts has to an extent been reflected in the range of favourable outturns shown below.

2.0 Report

2.1 The final out-turn for the year (which is still subject to audit) resulted in net expenditure of just over £14.217million (before Government Grant) representing a favourable position of some £1.372million.

2.2 This position is attributed as follows:

	£000s
An underlying underspend against the 2011/12 estimate (including b/fwd budgets from 10/11)	1,212
<u>plus</u>	
Under spend arising from Government grant paid in advance and required to be accounted for in 2011/12	160
 Favourable Variance	 <u>1,372</u>

2.3 The main variances giving rise to the overall under spend position of £1.372m are summarised below. The variances shown against individual services exclude staffing costs and the cost of buildings as these are reported corporately.

2011/12 VARIANCES

Priority/Service

	Estimate £'000	Actual £'000	Favourable £'000	Adverse £'000
Promoting prosperity				
Government grants rec'd in adv.	0	-160	160	-
Concessionary Fares	0	-19	19	-
Taxi Licensing	-119	-126	7	-
Hillcrest Hostel	-53	-114	61	-
Environmental Pollution	27	-1	28	-
Housing Grants	8	-3	11	-
Emergency Planning	32	48	-	16
Transport / Bus Subsidy	86	72	14	-
Animal / Pest Control	9	-6	15	-

Leisure	-8	8	-	16
Housing Benefits Service	-896	-1,052	156	-
Hertford Theatre	-19	-60	41	-
Food and Health & Safety	4	-7	11	-
Housing Options	112	80	32	-
Engineering / land drainage	67	21	46	-
Fit for Purpose				
Turnover Managing Vacancies	11,301	11,717	-	416
Investment Income	-1,175	-833	-	342
Misc Properties / land Sale	-567	-623	56	-
Print / Desk Top Publishing	20	53	-	33
Office Moves	0	57	-	57
Insurances	313	232	81	-
Corporate Training	51	19	32	-
IT Licenses	743	647	96	-
Legal fees Income	-56	-194	138	-
Cost of Change	400	427	-	27
Copyright Fees	17	0	17	-
Other Expenses - consultancy	103	60	43	-
Administrative Buildings	1,016	974	42	-
Business Improvement grant	0	-50	50	-
Lease Cars / Mileage expenses	416	382	34	-
Professional Training	55	27	28	-
Customer and Community Admin.	24	12	12	-
Pride in East Herts				
Car parking	-1,728	-1,859	131	-
Environmental Services	4,103	3,779	324	-
Environmental Co-Ordination	42	24	18	-
Community Safety	89	117	-	28
Shaping Now, Shaping the Future				
New Homes Bonus Grant	0	-317	317	-
Discharge of Conditions	-14	-35	21	-
Development Control Income	-625	-511	-	114
Dev Control Pre-application advice	-37	-59	22	-
LDF Upkeep/Review	142	17	125	-
Planning Appeals	79	170	-	91
Building Control Income	-636	-570	-	66
Development Control advertising	68	39	29	-
Land Charges Income	-217	-233	16	-
Markets	-59	-74	15	-
Economic development	120	22	98	-
Leading the way, working together				
Members Allowances	445	382	63	-
Audit Fees	170	128	42	-
Democratic Representation	104	81	23	-
TM Fees & Bank Charges	158	148	10	-
Elections / Electoral registration	151	140	11	-
Community Projects	60	45	15	-

Community Planning	81	13	68	-
Total	14,407	13,035	2,578	1,206
NET FAVOURABLE VARIANCE		1,372		1,372

- 2.4 Many of these variances have already been reported to the Executive (via Corporate Management Team) as part of the Council's performance management monitoring arrangements (Healthcheck report).
- 2.5 The following comments provided by Heads of Service give brief details of reasons for any significant changes to variances previously reported together with any further variances identified following the closure of accounts process.

Promoting Prosperity

- Housing Benefits Service**
There has been an increase over the estimate in the sum of debts raised to recover overpaid Housing benefit (£254k) coupled with a small reduction in the amount of grant reclaimed of 0.25% (£98k) against the original estimate, resulting in an overall favourable position of £156k.
- Food and Health and Safety**
Additional income was generated from being able to recover costs (mainly salaries) from the Food Standards Agency for providing the "stars on the doors" rating system for food premises.
- Engineering / land Drainage**
A presentational "under spend" arises due to funding now being included as an appropriation to an earmarked reserve rather than against the service.
- Housing Options**
The under spend of £32k is attributed to a combination of factors; a change in accommodation over the last 18 months with a reduction in private sector properties from Paradigm resulting in lower management costs, reduced numbers in bed and breakfast accommodation and lower advertising costs for choice based lettings due to a change in methods used.

- **Hertford Theatre**
Staffing costs and building related costs (maintenance, insurance) have been reported as part of corporate variances for these expenditure heads. The favourable £41k arises due to a successful arts and entertainment programme and increased income from the café / bar and hires.

Fit for Purpose

Print Section

- A rationalisation of print room equipment has generated a saving of £20k reducing the previously reported adverse variance.

Professional Training

- There is an under spend of £28k against professional training budgets.

Car Mileage

- There has been an overall reduction in car mileage and lease car costs as a result of a reduction in staff numbers.

- **Customer & Community Admin.**

An under spend of £12k has arisen against supplies & services budgets.

Pride in East Herts

- **Environmental Services**

Health check reports throughout the year have reported net savings of £297k across a range of budget heads but mainly relating to efficiencies from the new Waste contract and Recycling. The final outturn resulted in a net £324k under spend across the various Environmental Services cost centres.

- **Car Parking**

An increase in the under spend from £58k (previously reported) to £131k is due principally to additional pay and display income (£43k) and savings in machine maintenance costs under the new contract.

Shaping Now, Shaping the Future

- **Markets**
Savings on the Refuse and Cleansing contracts amount to £15k for this service.
- **Economic Development**
Members have identified priority spends from the New Homes Bonus to fund a range of economic development initiatives. Local Authority Business Growth Incentive funds will be utilised to support these initiatives when needed. A £98k under spend has resulted.

Leading the Way, Working Together

- **Elections / Electoral Registration**
District Council election costs in May 2011 were £11k less than anticipated due to cost sharing arrangements with non district processes taking place at the same time.
- **Community Planning**
There is a £68k under spend on Community Planning. £45k relates to Local Strategic Partnership projects managed by a range of external partners which are reported to and monitored by the LSP Board. An additional under spend of £19k relates to an external LSP Resource Mapping project.
- **Community Projects**
A carry forward request of £10k has been made in respect of the Artsbus project which is now scheduled to be delivered in October / November 2012.

2.6 Compared with the Council's probable estimate the overall outturn (before Government Grant) represents a net under spend of just over £1.35m. Adjusting for the £160k of government grant received in advance but accounted for in 2011/12 (as reported above) the underlying variance is £1.19m. This is largely attributable to many of the additional items reported above as part of the explanations regarding the variance against the Council's original estimate. Significant items include; Environmental services (£139k net favourable), car parking (£154k net favourable), Corporate & Democratic Core (reduced spend of £52k), Priority spend relating to

New Homes Bonus (£109k favourable), Housing Benefits Service (net favourable £153k), Net saving on all Directorates running costs including salaries (circa £150k), Reduced spend on Community Planning (£65k) and an additional grant in respect of business improvement (£50k).

- 2.7 The Executive should note that the variances shown exclude capital charges as these relate to the Capital Expenditure Outturn which has been reported through the Healthcheck process. The Executive will recall that these charges have no direct impact upon either the level of Council Tax or use of balances.
- 2.8 The variances shown also exclude any changes in Divisional and Support Service allocations against individual service headings as these have a neutral effect overall.
- 2.9 The final outturn position for the year has resulted in £1.080m net being added to the Council's overall reserve balances, compared to the planned use of £292k of reserves anticipated when the original estimate was approved.
- 2.10 Appropriations of reserves reported in the final accounts include:
- a net contribution of £396k to the General Reserve relating to New Homes Bonus Grant monies not applied and funding for decisions relating to b/fwd and c/fwd budgets in the year. This compares with the originally budgeted £185k contribution from the Reserve.
 - a net appropriation of £592k to earmarked Reserves in line with proposals set out within the budget report to the Executive in February 2012 including an appropriation to the Interest equalisation Reserve of £434k.
 - The accounts currently anticipate a recommendation that two further earmarked reserves be established in respect of specific government funding received in advance for Environmental Pollution and "Preventing Repossessions". Recommendations at the head of the report reflect proposals to earmark amounts of £62k and £30k respectively.
- 2.11 Any ongoing implications of last year's variances will be taken into account in future financial planning. Further scrutiny of the areas identified will take place as part of the 2013/14 integrated financial and service planning process.

3.0 Reserves/Balances

- 3.1 Council is generally well placed with regard to establishing appropriate earmarked Reserves and Balances.
- 3.2 The Executive meeting on 7 February 2012 confirmed existing arrangements for retaining various earmarked reserves as well as various planned appropriations in support of the MTFP. Decisions have also been taken during the year as part of the healthcheck process.
- 3.3 Members will be aware of various budgetary pressures facing the Council in the medium term which were identified in the February budget report. Future Government decisions regarding top slicing the revenue support grant to fund the new homes bonus from 2013 and the potential financial impact of changes in funding arrangements for Council Tax benefits from 2013 may result in the need to call upon the General Reserve to support budgets in the medium term.
- 3.4 The following tables show the appropriations during the year together with the level of funds which will be available at 31 March 2012.

General Fund Balance

	£000's
Balance 1.4.11	3854
Contribution to/(from) in year	-
Balance 31.3.12	<u>*3854</u>

- * Includes an accumulated surplus of £321k in respect of the Council's Building Control Trading Account.
The current MTFP anticipated a balance of £3.85m at 31 March 2012.

<u>General Reserve</u>	£000's
Balance 1.4.11	3762
Contribution to Reserve 2011/12	396
Balance 31.3.12	<u>4158</u>

The current MTFP anticipated a balance of £3.342m at 31 March 2012. The balance at 31 March 2012 does not reflect any provision for carry forward the approval of which is subject to the Council's financial regulations.

Earmarked Reserves

	Balance 01.04.11 £000	Appropriations 2011/12 £000	Balance 31.3.12 £000
Interest Equalisation reserve	0	434	434
Insurance Fund	10	0	10
Emergency Planning reserve	36	0	36
VAT - Partial Exemption reserve	146	0	146
Service Improvement Fund	667	(57)	610
LDF / Green Belt Review reserve	514	150	664
Housing Condition Survey reserve	37	14	51
Council Elections reserve	75	(75)	0
LABGI Reserve	134	(24)	110
Leisure utilities / pension reserve	120	60	180
Restructure Fund	33	0	33
Legal Fees Reserve	12	(12)	0
Performance Reward Grant reserve	67	0	67
Pension Strain Costs Reserve	100	52	152
Waste Recycling – Income volatility	275	0	275
Footbridge over River Stort	50	50	100
Cost of Change Reserve	400	0	400
DCLG Preventing Repossessions*	0	30	30
Environmental Pollution*	0	62	62
	<u>2676</u>	<u>684</u>	<u>3360</u>

* New reserves proposed be established

The current MTFP anticipated a balance of £2.818 at 31 March 2012.

- 3.5 In reviewing the earmarked reserves at March 2012, the purpose for each remains and the balance is considered not to be excessive. As reported above it is recommended that two new Reserves are created at 31 March 2012.
- 3.5 The combined total of the General Fund Balance and General Reserve adjusted for New Homes Bonus monies (£385k) and accumulated Building Control trading surpluses (£321k) amounts to £7.306m. This is marginally in excess of the upper limit of £7.245m determined in accordance with the Council's current reserve

strategy. It is intended, therefore, to review the position further as part of the 2013/14 budget strategy and MTFP update.

4.0 Capital

- 4.1 Details of the capital outturn for the year have been reported to the Executive on 22 May 2012 as part of the Health check process.
- 4.2 The outturn of £5.527m represented over 86% of the adjusted budget for the year (including slippage from 2010/11) of £6.401m.
- 4.3 The financing of the £5.527m has been determined as follows:

	£000's
Internal borrowing	484
Third Party Contributions	235
Government Grant	262
Capital Receipts	4,521
Revenue Contribution	25
	<u>5,527</u>

- 4.4 Taking into account the 'slippage' recommended to be carried forward at the Executive meeting on 22 May the revised Capital Programme for 2012/13 now totals £5.102m (after re-profiling adjustment of £250k).

The planned financing of this year's programme is:

	£000's
Capital receipts	1,085
Third Party Contributions	68
Government Grant	228
Internal Borrowing	3,696
Revenue Contribution	25
	<u>5,102</u>

- 4.5 As previously reported a substantial proportion of future capital programme spend will be financed by "internal borrowing" (effectively through disinvestment).

5.0 2011/12 Annual Statement of Accounts

5.1 Following new Regulations the Council's Annual Statement of Accounts is now required to be approved by Members after the annual audit has taken place. Approval and publication must take place by 30 September following the relevant accounting year. The Council's Constitution now delegates the Scrutiny and approval of the accounts to the Audit Committee. The Accounts are required however to be signed by the Council's Section 151 Officer by 30 June following the relevant Accounting year. In order to adopt best practice the Accounts will be submitted to the Audit Committee on 11 July in order to give the Committee an early opportunity of viewing the (unaudited) accounts and will be considered as part of a training exercise. Members should also note that in the wider interest of transparency and public accountability the unaudited accounts will also be made available on the Council's website.

6.2 Implications/Conclusion

6.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

Background Papers

Final Accounts Working Papers

Report to Executive 7 February 2012

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