

EAST HERTS COUNCIL

THE EXECUTIVE – 23 JULY 2013

REPORT BY THE EXECUTIVE MEMBER FOR FINANCE

GENERAL FUND REVENUE AND CAPITAL OUT-TURN 2012/13

WARD(S) AFFECTED: All

Purpose/Summary of Report

- To advise the Executive of the General Fund Revenue Out-turn for 2012/13 and provide explanations for significant variances against the approved Estimates.
- To advise Members of the financing arrangements for the 2012/13 Capital Outturn and the planned financing of the updated 2013/14 capital budget allowing for the approved slippage from 2012/13.

<u>RECOMMENDATIONS FOR DECISION:</u> that:	
(A)	the General Fund Revenue Out-turn for 2012/13 be approved;
(B)	the level of fund Balances at 31 March 2013 as set out within the report, be noted;

1.0 Background

- 1.1 When the Council's General Fund estimates for 2012/13 were approved it was anticipated that the total net expenditure before Government Grant and prior to use of balances, would amount to some £14.363 million. A Net appropriation to reserves of £797k was anticipated.
- 1.2 In year budget monitoring and consequent actions have sought to maintain spending within budget. Members will be aware, however, from Health check reports throughout the year that a significant

favourable variance has been predicted. The March Healthcheck report indicated a predicted net favourable outturn of £1.87 million.

2.0 Report

2.1 The final out-turn for the year (which is still subject to audit) resulted in comparable net expenditure of just over £12.371million representing a favourable position of some £1.992million.

2.2 This position is attributed as follows:

	£000's
An underlying underspend against the 2012/13 original estimate	1,941
Underspend against budgets b/fwd from 2011/12	51
Favourable Variance	<u>1,992</u>

2.3 The main variances giving rise to the overall under spend position of £1.992 million are summarised below. The variances shown against individual services exclude staffing costs and the cost of buildings as these are reported corporately.

2012/13 VARIANCES Priority/Service

	Estimate £'000	Actual £'000	Favourable £'000	Adverse £'000
People				
Turnover Managing Vacancies	11,829	11,672	157	-
Community Planning	0	11	-	11
Pest / Animal Control	-6	-2	-	4
Revenues & Benefits	-1,122	-1,271	149	-
Emergency Planning	5	-2	7	-
Improvement Grant Repayment	0	-29	29	-
Housing Options	180	112	68	-
Hillcrest Hostel Rent Income	-120	-108	-	12
Electoral Registration	53	65	-	12
Cost of Change Contingency	128	91	37	-
New Homes Bonus Grant	-840	-772	-	68
Section 106 Receipts	-	-63	63	-
Wallfields Admin Building	240	174	66	-
Leisure Contract	40	13	27	-
Legal Fees - Asset Recovery	0	-183	183	-

Security Services	5	3	2	-
Public Consultation	5	0	5	-
Community Engagement	6	1	5	-
Bus Subsidy	87	84	3	-
Taxi Licensing Income	-136	-141	5	-

Place

Dry Recycling Income	-1070	-1071	1	-
Organic waste collection	864	813	51	-
Recycling bank maintenance	13	7	6	-
Kerbside dry collection	1,226	1,270	-	44
Alternative Financial Model	-440	-410	-	30
Recycling publicity	41	36	5	-
Materials handling	51	43	8	-
Depot electricity	20	8	12	-
Bulky waste income	-38	-35	-	3
Refuse transport subsidy	-5	-37	32	-
Refuse contract	1,180	971	209	-
Clinical Waste Income	-66	-80	14	-
Clinical Waste Collection / Disposal	32	22	10	-
Trade Waste	-296	-312	16	-
Trade waste bins / disposal	204	172	32	-
Street Cleansing	948	821	127	-
Land Drainage	-36	-4	-	32
Police C.S.O	59	80	-	21
CCTV running costs	106	103	3	-
Hertford Theatre & Cafe	-490	-550	60	-
Street Nameplate Renewal	14	5	9	-
Footpath Lighting	0	9	-	9

Prosperity

Investment Income	-687	-1193	506	-
Government Grant (new burdens)	0	-16	16	-
Building Control Income	-675	-487	-	188
Pay & Display income	-2,962	-3,057	95	-
PCN Income	-749	-631	-	118
Parking Contract enforcement	877	786	91	-
Pay & Display machines	10	0	10	-
Jackson Square car park	230	395	-	165
Audit / Treasury management fees	257	137	120	-
Development C - advertising/postage	76	50	26	-
Development C. Pre-app. advice	-40	-85	45	-
Development C. appeals costs	40	64	-	24
Local Development framework	130	82	48	-
Democratic Core	496	457	39	-
Members ICT Expenses	0	-16	16	-
Market Income	-119	-98	-	21
Engineers Copyright Fees	7	-1	8	-
Public Conveniences	12	-5	17	-
Consultants Budget	55	46	9	-
District By-Elections	10	0	10	-
Economic Development	200	67	133	-

Business Advice	9	0	9	-
Environmental Co-ordination	24	11	13	-
Supplies & Services (all services)	153	102	51	-
Transport Costs (all services)	370	319	51	-
Training (all services)	122	82	40	-
Total	10,517	8,525	2,754	762
NET FAVOURABLE VARIANCE			1,992	

2.4 Most 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 give brief details of reasons for the significant variances that have arisen on closure of accounts.

People

- **Revenues & Benefits Service**

There has been an increase favourable position in Revenues and Benefits of £78k compared to that reported in the March healthcheck. This is principally due to an increase in the level of subsidy anticipated to be received and a net increase in the sum of debts raised to recover overpaid Housing benefit

Prosperity

- **Car Parking**

The final outturn position for Parking services shows a net adverse variance of £96k (compared to the previously reported £27k favourable position).

This change arises principally due to an increased level of accrual that has been made relating to Jackson Square car park rebate arrangements (which is subject to further clarification) together with a reduction of £15k in pay & Display income.

- **Directorate running costs**

A combination of savings and underspends has resulted in favourable variances in various running costs across all Council Directorates. These include reduced transport costs of £51k, lower spend against supplies and services budgets (stationery,

photocopying, telephones, printing etc.) of £51k and savings in training costs of £40k.

- 2.6 Compared with the Council's probable estimate the overall outturn represents a net under spend of just over £1.026m. This is partly attributable to the additional items reported above. Further significant items include; Environmental services (£228k net favourable), Economic Development priority spend (slippage into 2013/14) of £133k, asset recovery under a legal action of £183k, additional Investment interest (£96k), Planning & Building Control services (£68k net favourable), Community Engagement (£52k favourable), Community safety & Health (£42k net favourable) and £50k under spend against Corporate & Democratic costs.
- 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 £2.789m net being added to the Council's overall reserve balances, compared to the planned net addition of £797k to reserves anticipated when the original estimate was approved.
- 2.10 Appropriations to / from reserves reported in the final accounts include:
- a net appropriation of £2,693k to Earmarked Reserves including £727k to the Cost of Change Reserve, £1,249 to the interest Equalisation Reserve, £461k to the Waste & Recycling Reserve and £133k to the New Homes Bonus Reserve (relating to an under spend against "priority spend" budgets in the year) in line with proposals set out within the budget report to the Executive on 5 February 2013.
 - A net appropriation of £97k to the General Reserve relating to budgets b/fwd from 2011/12 and the overall underspend in 2012/13.

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 2014/15 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 5 February 2013 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 potential budgetary pressures facing the Council in the medium term, arising from changes to the Government's funding regime, which were identified in the February budget report. The potential financial impact of these changes 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 2013.

General Fund Balance

	£000's
Balance 1.4.12	3854
Contribution to/(from) in year	-
Balance 31.3.13	<u>*3854</u>

* Includes an accumulated surplus of £168k in respect of the Council's Building Control Trading Account.
The current MTFP anticipated a balance of £3.85m at 31 March 2013.

<u>General Reserve</u>	£000's
Balance 1.4.12	4158
Contribution to Reserve 2012/13	97
Balance 31.3.13	<u>4255</u>

The current MTFP anticipated a balance of £4.204m at 31 March 2013. The balance at 31 March 2013 does not reflect any provision for carry forward the approval of which is subject to the Council's financial regulations.

Earmarked Reserves

	Balance 01.4.12 £000	Appropriations 2012/13 £000	Balance 31.3.13 £000
Interest Equalisation reserve	434	1249	1683
Insurance Fund	10	0	10
Emergency Planning reserve	36	0	36
VAT - Partial Exemption reserve	146	0	146
Service Improvement Fund	610	0	610
LDF / Green Belt Review reserve	664	150	814
Housing Condition Survey reserve	51	14	65
Council Elections reserve	0	25	25
LABGI Reserve	110	(11)	99
Leisure utilities / pension reserve	180	60	240
Restructure Fund	33	0	33
Performance Reward Grant reserve	67	(5)	62
Pension Strain Costs Reserve	152	(152)	0
Waste Recycling – Income volatility	275	0	275
Footbridge over River Stort	100	50	150
Cost of Change Reserve	400	727	1127
DCLG Preventing Repossessions	30	0	30
Environmental Pollution	62	(8)	54
Waste & Recycling Reserve*	0	461	461
NHB Priority Spend Reserve*	0	133	133
	<u>3360</u>	<u>2693</u>	<u>6053</u>

* New reserves approved to be established February 2013

The current MTFP anticipated a balance of £5.077m at 31 March 2013.

- 3.5 In reviewing the earmarked reserves at March 2013, the purpose for each remains and the balance is considered not to be excessive. As reported above two new Reserves have been created at 31 March 2013 in line with recommendations agreed by the Executive on 5 February 2013.
- 3.6 The combined total of the General Fund Balance and General Reserve adjusted for the accumulated Building Control trading surpluses (£168k) amounts to £7.940m. Allowing for a potential appropriation identified in the latest MTFP this will still be in excess of

the upper limit determined in accordance with the Council's current reserve strategy. It is intended, therefore, to review the position further as part of the 2014/15 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 4 June 2013 as part of the Health check process.

4.2 The outturn of £3.579m represented just over 90% of the adjusted budget for the year (including slippage from 2011/12) of £3.962m.

4.3 The financing of the £3.579m has been determined as follows:

	£000's
Internal borrowing	1,942
Third Party Contributions	94
Government Grant	288
Capital Receipts	1,230
Revenue Contribution	25
	<u>3,579</u>

4.4 Taking into account the 'slippage' of £270k recommended to be carried forward at the Executive meeting on 4 June 2013 and the supplementary estimate of £2.2m relating to funding for the Council's recycling service the revised Capital Programme for 2013/14 now totals £6.912m after re-profiling adjustment of £250k).

The planned financing of this year's programme is now:

	£000's
Capital receipts	1,540
Third Party Contributions	294
Government Grant	228
Internal Borrowing	4,825
Revenue Contribution	25
	<u>6,912</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 2012/13 Annual Statement of Accounts

5.1 Regulations now require the Council's Annual Statement of Accounts 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 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 10 July 2013 in order to give the Committee an early opportunity of viewing the (unaudited) accounts. 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.

6.0 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

Report to Executive 5 February 2013

<http://online.eastherts.gov.uk/moderngov/ieListDocuments.aspx?CId=119&MId=2120&Ver=4>

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