

EAST HERTS COUNCIL

THE EXECUTIVE – 5 JULY 2011

REPORT BY THE EXECUTIVE MEMBER FOR FINANCE

GENERAL FUND REVENUE AND CAPITAL OUT-TURN 2010/11

WARD(S) AFFECTED: None specific

Purpose/Summary of Report

- To advise the Executive of the General Fund Revenue Out-turn for 2010/11 and provide explanations for significant variances against the approved Estimates.
- To advise Members of the financing arrangements for the 2010/11 Capital Outturn and the planned financing of the updated 2011/12 capital budget allowing for the approved slippage from 2010/11.

<u>RECOMMENDATIONS FOR DECISION:</u> that:	
(A)	the General Fund Revenue Out-turn for 2010/11 be approved;
(B)	the level of fund Balances at 31 March 2011 as set out within the report, be noted; and
<u>RECOMMENDATION FOR COUNCIL:</u> that:	
(C)	a change of purpose of the Waste Recycling Reserve as set out in Paragraph 3.6, be approved.

1.0 Background

1.1 When the Council's General Fund estimates for 2010/11 were approved it was anticipated that the total net expenditure, prior to use of balances, would amount to some £18.315 million. Net use of reserves of £953k was anticipated.

1.2 In year budget monitoring and consequent actions have sought to maintain spending within budget.

2.0 Report

2.1 The final out-turn for the year (which is still subject to audit) resulted in net expenditure of nearly £17.391m (before Government Grant) representing a favourable position of some £924k.

2.2 This position is attributed as follows:

	£000's
An underlying underspend against the 2010/11 estimate	964
<u>Less</u>	
Contribution from General Reserve relating to budgets b/fwd from 2009/10	(40)
Variance	<u>924</u>

2.3 The main variances giving rise to the underlying underspend position of £964k are summarised below:

2010/11 VARIANCES **Priority/Service**

	Estimate £'000	Actual £'000	Favourable £'000	Adverse £'000
Promoting prosperity				
Concessionary Fares	839	825	14	-
Meals on Wheels	64	131	-	67
Hertford Theatre	95	74	21	-
Housing Benefits Overpayments	-550	-1,021	471	-
H Benefits Admin Subsidy	-796	-772	-	24
Partnership Contribution	0	-25	25	-
Housing Benefit Subsidy	473	707	-	234
Revs and Bens Service	-32	-72	40	-
Area Based Grant	0	-37	37	-
Thele House Maintenance	0	19	-	19
Critical Ordinary Watercourses	-55	-43	-	12
Hostel Rent	-55	-103	48	-
Leisure Utilities/Income	-268	-212	-	56
Private Sector Housing	0	-31	31	-
Pest Control	10	5	5	-
Housing Options	81	53	28	-
LAA Grant	-250	-289	39	-
House Conditions Survey	13	-1	14	-

Fit for Purpose

Turnover Managing Vacancies	12,436	12,392	44	-
Investment Income	-1,650	-871	-	779
Place Survey	14	0	14	-
Print/Document Handling	-56	0	-	56
Office Moves ('churn') costs	0	36	0	36
IT Licences	713	644	69	-
Legal fees/income	21	-35	56	-
Corporate Training	60	28	32	-
Internal Services Directorate running costs	1,518	1,463	55	-
Chief Executive Directorate running costs	103	78	25	-
Neighbourhood Services Directorate running costs	586	371	215	-
Customer and Community Services Directorate running costs	2,914	2,842	72	-

Pride in East Herts

Car Parks P&D Sunday/BH	-38	0	-	38
Car Parks P&D	-3,125	-2,979	-	146
Penalty Charge Notices	-759	-762	3	-
Car Parks Advertising	-4	0	-	4
Car Washing Gascoyne Way	-10	0	-	10
Causeway Car Park Rent	0	222	-	222
B/S Car Park Season Tickets	-32	-45	13	-
Car Park P&D VAT	-19	0	-	19
Un/Locking Bircherley Green	11	5	6	-
CCTV Running Costs	106	96	10	-
LSP Implementation	60	32	28	-
Arts Council England	11	5	6	-
Public Conveniences	26	96	-	70
Recycling Service	-100	-730	630	-
Wheeled Bin Delivery Charge	-50	0	-	50
Recycling Publicity	71	43	28	-
Green Waste Collection	703	615	88	-
Kerbside Dry Recycling Collection	1,159	1,154	5	-
Plastic Banks	43	19	24	-
Kerbside Dry Recycling Income	-730	-958	228	-
Recycling/Refuse Contribution	-80	34	-	114
Depot Material Handling	83	47	36	-
Refuse Collection Contract	2,466	2,431	35	-
Commercial Waste	-118	-141	23	-
Cleansing Contract	976	948	28	-
Grounds Main Contract	1,083	1,117	-	34
Waste Contract Specialist	30	17	13	-
Banks Site Maintenance	21	17	4	-
Clinical Waste Income	-59	-74	15	-
Glass/can/paper banks	95	65	30	-
Tree Replacement Programme	13	4	9	-

Shaping Now, Shaping the Future				
Housing Planning Delivery Grant	-134	0	-	134
Development Plans Studies	50	15	35	-
LDF Upkeep/Review	180	17	163	-
Pre-application advice	-30	-46	16	-
HCC DC advice	10	0	10	-
Development Control Income	-600	-613	13	-
Building Control Income	-610	-638	28	-
Personal Search Fee Grant	0	-34	34	-
Habitats Grant	0	-17	17	-
Land Charges Income	-260	-312	52	-
Incubation Feasibility Study	0	-60	60	-
LABGI	-30	0	-	30
Leading the way, working together				
Members Allowances	457	410	47	-
By Elections	5	21	-	16
Audit Fees	196	147	49	-
Street Naming	-2	5	-	7
Total	17,293	16,329	3,141	2,177
NET FAVOURABLE VARIANCE		964		964

- 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**
March produced a further net improvement of £29k on recovery of overpaid Housing Benefits. However the net budgeted subsidy was down by £234k or 0.7% on a base of £36,515m.
- **Revenues and Benefits Service**
There was a further £40k net favourable position on this service. Supplies and services were £26k less than budgeted. Income was up £14k.
- **Housing**
The House Condition Survey Reserve was not utilised totalling £14k.

Fit for Purpose

- Final figures for Directorate net running costs shows a net favourable £8k variance from the March Healthcheck position.
- Investment income improved by £21k from that reported in the March Healthcheck.

Pride in East Herts

- Spending on Environmental services (particularly refuse and recycling) reflects a further £28k favourable improvement over the position reported in the March Health check.

Shaping Now, Shaping the Future

- The £100k from the Local Plan Reserve was not utilised thus showing a favourable variance. This was due to consultancy and review work not being required until 2011/12.

Leading the Way, Working Together

- There are no new financial issues to report regarding this priority.

2.6 Compared with the Council's probable estimate the overall outturn (before Government Grant) represents a net under spend of circa £700k. This is largely attributable to additional investment interest (112k), additional income streams and reduced expenditure in Planning Services (£165k), reduced expenditure and additional income in Housing Services (£105k), reduced expenditure on Legal and Audit costs (£57k), a reduction in Hertford Theatre costs (£26k), a windfall sum of (£60k) for the incubation feasibility study, a reduction in IT Licences (£37k), additional income (£21k) and a reduction in expenditure (£28k) in LAA / Performance Reward Grant and LSP spending respectively. There is a reduction of £238k in Housing Benefit Subsidy. Finally, net Directorate running costs (including other services) of circa £327k.

For financial planning purposes a £200k favourable variance (between probable and outturn) was assumed in February 2011 which was reflected in the predicted level of reserve balances reported at that time.

- 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 £29k net being drawn from the Council's overall Reserve balances, compared to the planned use of £953k of Reserves anticipated when the original estimate was approved.
- 2.10 Appropriations of reserves reported in the final accounts include:
- a net contribution of £993k to the General Reserve relating to the underspend and allowing for decisions relating to b/fwd budgets in the year. This compares with the originally budgeted £159k contribution to the Reserve.
 - a net appropriation of £1.022m from earmarked Reserves in line with proposals set out within the budget report to the Executive in February 2011 and assumptions agreed within the MTFP. Appropriations include £400k to a "Cost of Change" reserve, and £50 to a Reserve to meet future (potential) maintenance obligations in respect of the Stort footbridge.
- 2.11 Further to comments of the Corporate Business Scrutiny Committee at its meeting on 31 May 2011 any ongoing implications of last year's variances will be taken into account in future financial planning processes. Further scrutiny of the areas identified will take place as part of the 2012/13 integrated financial and service planning process.
- 2.12 Although 2010/11 resulted in the Council once again underspending against the original estimate, efforts have been made to improve the budgeting and medium term financial planning processes as well as in year monitoring arrangements. The table below demonstrates that at both the probable estimate stage and at the March Healthcheck position last year's outturn forecasts show an improved position compared to 2009/10.

	2009/10 £000's	2010/11 £000's
Outturn total (underspend)	(1,428)	(964)
March Healthcheck projection - (underspend)	(587)	(955)
Probable outturn projection overspend / (underspend)	246	(437)

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 8 February 2011 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 2011.

General Fund Balance

	£000's
Balance 1.4.10	3854
Contribution to/(from) in year	-
Balance 31.3.11	<u>*3854</u>

* Includes an accumulated surplus of £446k in respect of the Council's Building Control Trading Account.

The current MTFP anticipated a balance of £3.85m at 31 March 2011.

<u>General Reserve</u>	£000's
Balance 1.4.10	2769
Contribution to Reserve 2010/11	993
Balance 31.3.11	<u>3762</u>

The current MTFP anticipated a balance of £3.354m at 31 March 2011. The balance at 31 March 2011 does not reflect any provision for carry forward the approval of which is subject to the Council's financial regulations.

Earmarked Reserves

	Balance 01.04.10 £000	Appropriations 2010/11 £000	Balance 31.3.11 £000
Interest Equalisation Reserve	1185	(1185)	0
Insurance Fund	10	0	10
Emergency Planning Reserve	36	0	36
Vat - Partial Exemption Reserve	146	0	146
Service Improvement Fund	795	(127)	668
LDF / Green Belt Review Reserve	363	150	513
Housing Condition Survey Reserve	23	14	37
Council Elections Reserve	50	25	75
LABGI Reserve	316	(182)	134
Leisure utilities / pension reserve	60	60	120
Restructure Fund	33	0	33
Legal Fees Reserve	31	(19)	12
Performance Reward Grant reserve	217	(150)	67
Pension Strain Costs Reserve	158	(58)	100
Waste Recycling Reserve	275	0	275
Footbridge over River Stort	0	50	50
Cost of Change Reserve	0	400	400
	<u>3698</u>	<u>(1022)</u>	<u>2676</u>

The current MTFP anticipated a balance of £2.574 at 31 March 2011.

- 3.5 In reviewing the earmarked reserves at March 2011, with one exception, the purpose for each remains and the balance is not excessive.
- 3.6 With the re-letting of the refuse contract including provision for extended collection of plastic it is debatable whether there is a

continuing need for the Waste Recycling Reserve as a source of funding for increasing recycling with no proposals having been brought forward for its application. However, there is uncertainty about the long term sustainability, at current levels, of the income from sale of recycled materials. The creation of a reserve to manage volatility of this income would make the MTFP that much more secure. This income budget is £1.145M in 2011/12 and re-designation of the recycling reserve of £275k as a reserve to manage income volatility would be prudent. Although the title of the reserve might be unchanged the amendment of its purpose would be subject to approval by Council.

4.0 Capital

4.1 Details of the capital outturn for the year have been reported to the Executive on 24 May 2011 as part of the Healthcheck process.

4.2 The outturn of £5.909m represented nearly 92% of the original Estimate for the year of £6.426m.

4.3 The financing of the £5.909m has been determined as follows:

	£000's
Third Party Contributions	410
Government Grant	292
Capital Receipts	5182
Revenue Contribution	25
	<u>5909</u>

4.4 Taking into account the 'slippage' recommended to be carried forward at the meeting on 24 May the revised Capital Programme for 2011/12 now totals £6.4m (after reprofiling adjustment of £750k).

The planned financing of this year's programme is:

	£000's
Third Party Contributions	188
Government Grant	253
Capital Receipts/Internal Borrowing	5935
Revenue Contribution	25
	<u>6401</u>

4.5 Usable capital receipts available to the Council at 31 March 2011 amounted to £3.721m (including a net accrual of £2.35m relating to the Causeway transactions). A further £1.86m of receipts are anticipated from asset sales in 2011/12. Should the revised programme be spent in full in the current year it will be necessary to borrow internally to fund the programme.

5.0 2010/11 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 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 12 July 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.

6.2 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 8 February 2011

Contact Member: Councillor Mike Tindale, Executive Member for Resources and Internal Support

Contact Officers/
Report Authors: Alan Madin, Director of Internal Services, Ext1401
Simon Chancellor - Head of Financial Support Services - Ext 2050
Mick O'Connor – Principal Accountant – Ext 2054

ESSENTIAL REFERENCE PAPER A

<p>Contribution to the Council's Corporate Priorities/ Objectives (delete as appropriate):</p>	<p>Promoting prosperity and well-being; providing access and opportunities <i>Enhance the quality of life, health and wellbeing of individuals, families and communities, particularly those who are vulnerable.</i></p> <p>Fit for purpose, services fit for you <i>Deliver customer focused services by maintaining and developing a well managed and publicly accountable organisation.</i></p> <p>Pride in East Herts <i>Improve standards of the neighbourhood and environmental management in our towns and villages.</i></p> <p>Caring about what's built and where <i>Care for and improve our natural and built environment.</i></p> <p>Shaping now, shaping the future <i>Safeguard and enhance our unique mix of rural and urban communities, ensuring sustainable, economic and social opportunities including the continuation of effective development control and other measures.</i></p> <p>Leading the way, working together <i>Deliver responsible community leadership that engages with our partners and the public.</i></p>
<p>Consultation:</p>	<p>Heads of Service have been consulted and have agreed the comments made for their service areas.</p>
<p>Legal:</p>	<p>There are no legal implications.</p>
<p>Financial:</p>	<p>As set out within the report.</p>
<p>Human Resource:</p>	<p>There are no Human Resource implications.</p>
<p>Risk Management:</p>	<p>Variances against the 2010/11 budget may have an impact upon the current (2011/12) and future years' budgets. Implications will be reported through the healthcheck process and MTFP.</p>