

Meeting: Executive
Portfolio Area: Resources

Agenda Item: **7**

Date: 10 July 2012

4th QUARTER MONITORING REPORT GENERAL FUND AND HOUSING REVENUE ACCOUNT

KEY DECISION

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1. PURPOSE

- 1.1 To update Members on the 2011/12 outturn positions for the General Fund and Housing Revenue Account (HRA) and to seek approval for revisions to the 2012/13 revenue budgets, as a result of the 2011/12 actual net expenditure.
- 1.2 To update Members on the Council's reserves and balances available to support revenue expenditure.

2. RECOMMENDATIONS

- 2.1 That the 2011/12 actual net expenditure on the General Fund of £9,769,467 be approved, subject to the 2011/12 audit of the Statement of Accounts.
- 2.2 That the 2011/12 actual net in year surplus on the HRA of £2,080,401 be approved, subject to the 2011/12 audit of the Statement of Accounts.
- 2.3 That the new carry forward requests totalling £220,740 and £147,300, as detailed in Appendix A, be approved for the General Fund and HRA respectively.
- 2.4 That the transfer to the Single Status Provision of £213,492 for the General Fund and £332,985 for the HRA be approved.
- 2.5 That transfer of SHL company balances of £764,450 to the HRA be approved.
- 2.6 That Members approve ongoing General Fund savings of £80,780 for 2012/13.
- 2.7 That Members approve ongoing HRA savings of £164,630 for 2012/13.

3. BACKGROUND

- 3.1 The Accounts and Audit Regulations which contain provisions on financial management, annual accounts and audit procedures were amended with effect from 1 April 2011. The main change to the regulations meant that there is no requirement

for Member approval of the Statement of Accounts before the 30 June and only the responsible financial officer must certify the presentation of the annual accounts no later than the 30 June following the financial year end.

- 3.2 The audited Accounts must be presented to Members (Audit and Statement of Accounts Committee) by 30 September, however this means Members would not have been presented with financial information for the year end position for both revenue accounts until September. The Assistant Director of Finance in conjunction with the Strategic Director (Resources) have agreed a 4th quarter or year end position would be presented to the July Executive. The financial figures contained within this report are subject to external audit and could change.

3.3 General Fund

- 3.3.1 The Council's 2011/12 General Fund net revenue budget of £10,744,400 was approved at Council on 23 February 2011. Subsequently Members have approved net budget decreases of £414,320. These budget adjustments are detailed in table one.

Table One – 2011/12 General Fund Working Budget	Working Budget
Original Budget	£10,744,400
4 th Quarter budget adjustments (2010/11)	(£241,840)
Carry Forwards approved at 3 rd Quarter	£9,180
Carry Forwards approved at 4 th Quarter	£244,870
1 st Quarter budget adjustments 2011/12	£81,900
2 nd Quarter budget adjustments 2011/12	(£90,920)
Indoor Market report 22 November 2011	£46,860
Changes approved as part of the 2012/13 budget setting process (Council 29 February 2012)	(£312,900)
3 rd Quarter Budget adjustments 2011/12	(£151,470)
Total Working Budget	£10,330,080

(Key: + = increase in spend / decrease in income, () reduction in spend / increase in income)

3.4 Housing Revenue Account (HRA)

- 3.4.1 The Council's net 2011/12 HRA revenue budget of £66,250 was approved at Council on 26 January 2011. Subsequently Members have approved net budget reductions of £1,089,520. These budget adjustments are detailed in table two.

Table Two – HRA Working budget	Working Budget
Original Budget	£66,250
January Executive adjustments – Housing Options Appraisal	£150,000
4 th Quarter budget adjustments	(£409,500)
1 st Quarter budget adjustments	£292,160
2 nd Quarter Budget adjustments	(£447,410)
Changes approved as part of the 2012/13 budget setting process (Council 25 January 2012)	(£337,420)
3 rd Quarter Budget adjustments	(£368,540)
Total Working Budget	(£1,023,270)

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 General Fund Budget 2011/12

4.1.1 The 2011/12 outturn position on the General Fund was a net expenditure of £9,769,467 a decrease of £560,613 over the current working budget of £10,330,080. Variances over £10,000 are detailed in Appendix A, the net under spend has also been analysed by expenditure type and is summarised below together with the comparator data for 2010/11:

	Table three General Fund Net Under spends	2010/11 (Under) /Over Spend* £	% of budget not spent	2011/12 (Under) /Over Spend* £	% of budget not spent
	Expenditure/Income				
Employees: Indirect Employee Costs:	Salaries and Agency staff	(26,086)	-0.14%	77,388	0.45%
	Redundancy costs	(100,708)	0.00%	(20,759)	-17.31%
	Staff Adverts	(6,559)	-18.92%	(7,893)	-21.50%
	Training	(154,082)	-51.92%	(16,991)	-10.04%
	Employee Insurance	(156)	-0.42%	23,473	62.95%
Premises:	Building Maint.	(38,381)	-5.56%	(59,780)	-13.08%
	Electricity & gas	15,667	3.66%	(72,115)	-14.99%
	Window cleaning & Cleaning related costs	(13,980)	-25.84%	(6,884)	-7.45%
Transport:	Vehicle costs	(73,097)	-4.12%	(94,214)	-7.51%
Services & Supplies:	Equipment & Materials-Vehicle works shop	(1,546)	-3.19%	(26,483)	-57.57%
	Equipment & Materials-CCTV	(5,631)	-4.52%	(30,316)	-20.92%
	Other Equipment & Materials	(62,116)	-2.79%	(78,647)	-12.02%
	Printing and stationery	(5,127)	-3.29%	(22,690)	-16.42%
	Books and Magazines	(8,872)	-27.87%	(5,722)	-15.45%
	Postage	(29,518)	-19.09%	52,886	37.73%
	Phone & Mobile Costs	(38,304)	-21.71%	(45,506)	-28.41%
	Allowances & Expenses	(17,646)	-3.42%	(18,652)	-3.80%
	Grants and subscriptions	(23,154)	-2.92%	(42,888)	-5.78%
	Transfer to Provisions	0		222,487	
	Public Liability insurance	103,273	64.46%	120,096	47.55%
Housing & Council Tax Benefit: Agency & Contract:	benefit payments	(203,405)	-0.52%	(46,383)	-0.11%
	Payments incl. partnership arrangements	(138,265)	-4.28%	(294,057)	-5.33%
Other:	Misc other balances	(54,424)		208,986	
	Transfer to reserves	425,029	-194.24%	0	
	Total Expenditure	(457,089)	-0.63%	(184,663)	-0.26%
	Government Grants	(214,691)	0.55%	(247,039)	-2.88%
	Fees and Charges	(39,708)	0.19%	(38,812)	0.19%
	Transfer from reserves	0		(90,100)	109.90%
	Total Income	(254,399)	0.43%	(375,951)	0.61%
	Total Net Under Spend	(711,488)		(560,613)	
	Less Carry Forwards	244,870		220,740	
		(466,618)		(339,873)	

- 4.1.2 In view of the level of savings the Council has had to make over the last few years and still has to identify for 2013/14 onwards, it is important that under spends are analysed to determine whether they are:
- As a result of a one off event.
 - The commitment has been made to spend the monies but will be spent in 2012/13 (carry forward).
 - The budget habitually under spends.
- 4.1.3 A review of all under/over spends has been undertaken and these have been included in the July Medium Term Financial Strategy (MTFS) update which will be presented to the Executive on the 31 July 2012. A net on-going saving of £80,780 has been identified.
- 4.1.4 The review of the 2011/12 net under spends compared to 2010/11 shows that there are areas that have under spent year on year. Strategic Management Board have reviewed the net underspends and have asked that Challenge Board and Leader's Service Priority Group (LSPG) scrutinise the 2011/12 outturn position to determine whether further on-going savings can be identified. The on-going net pressures are identified in Appendix A and summarised in table four below:

Table Four General Fund Pressures	2012/13 IMPACT	COMMENTS
EXPENDITURE	£	
Employee	(59,250)	Fixed pension costs not required
Grounds maintenance	(14,710)	Agency staff saving
Staff advertising budget	(11,190)	Budget no longer required
Utilities	(22,220)	Review of utility actual spend
Benefit payments	(320,660)	Reduced benefit payments offset by lower grant and overpayments
Bad debt Provision Housing Benefit	(14,010)	Reduced provision required as the number of overpayments recovered are estimated to reduce (£44,010) and higher provision required for Tenancy Deposits (£30,000)
Vehicle Insurance	(30,800)	Budget not required
Third Party Payments	(55,800)	includes £20,000 due to lower tonnage for trade waste
Other	(132,690)	
	(661,330)	
INCOME	£	
Fees and Charges-Development Control	95,580	Reduced Development Control income estimated, the anticipated fee increase has not been announced by the CLG £42,250 and income levels are projected to be lower due to the economic climate.
Recycling sales	(25,000)	New markets sought for additional recycletes such as cardboard.
Fees and Charges-Trade Waste	87,720	The client base has reduced and income is projected to be much lower than in 2011/12
Other Fees and Charges	(16,250)	Off street car parking is projected to be £40,000 higher and on-street parking is projected to be £20,000 lower, other fees £3,750.
Subsidy and overpayments	449,390	Partly offset by lower expenditure and debt provision
Government Grants	(10,890)	
	580,550	
	(80,780)	

Key: + = increase in spend / decrease in income, () reduction in spend / increase in income)

4.1.5 The under spend identified for 2011/12 is calculated taking the difference between the 2011/12 working budget and the 2011/12 actual net expenditure. However, some budgets will have been adjusted downwards during 2011/12 as part of the quarterly monitoring process, but the impact on 2012/13 not known at the time. There are some new pressures emerging as part of the 2011/12 closure process which have been identified by officers which total £247,300 and are included in the 2012/13 net pressures above and summarised in table five below:

Service	Actual 2010/11 £	Actual 2011/12 £	Original Budget 2012/13 £	Pressure £	Revised Budget £
Development Control Income	(258,407)	(204,834)	(309,580)	95,580	(214,000)
Trade Waste Income	(290,800)	(214,886)	(348,030)	67,720	(280,310)
Net Cost of Benefits	255,517	359,209	287,370	84,000	371,370
Total	(293,689)	(60,511)	(370,240)	247,300	(122,940)

4.1.6 As a result of the closure process there are on-going savings totalling £328,080 less pressures of £247,300, giving an adjusted total of £80,780 net savings on the General Fund for 2012/13.

4.1.7 Part of the 2011/12 under spend related to expenditure commitments not being realised in 2011/12. Officers have requested a number of new carry forwards which total £220,740 and these are included in Appendix A. Members are asked to approve the inclusion of the carry forwards of £220,740 in the 2012/13 working budgets.

4.2 2011/12 – General Fund Out-turn Position

4.2.1 The impact of the 2011/12 outturn position on General Fund balances included in this report and detailed in Appendix A are summarised in table six.

Table six –General Fund Out-turn Position	Working Budget
Original Budget	£10,744,400
Budget adjustments approved to date	(£414,320)
2011/12 Net under spend	(£560,613)
Total 2011/12 General Fund Expenditure	£9,769,467
General Fund balance Brought Forward	(2,721,396)
Spend In year	£9,769,467
Core resources	(£10,850,093)
General Fund balance carried forward	(£3,802,023)

4.2.2 The impact on the 2012/13 General Fund budget of the savings identified and the carry forwards is to increase the 2012/13 budget by £139,960 and thereafter a reduction of £80,780 as demonstrated below.

Table seven–Impact of under spends and Carry forwards on the General Fund Budget		
Financial Year	2012/13	2013/14
Identified Pressures (on-going)	(£80,780)	(£80,780)
Carry forwards Proposed	+£220,740	0
Total Budget Adjustments	+£139,960	(£80,780)

4.3 Housing Revenue Account (HRA)

4.3.1 The 2011/12 outturn position on the HRA was an in year surplus of £2,080,401 an increase of £1,057,131 over the current working surplus budget of £1,023,270. Variances over £10,000 are detailed in Appendix A. The net under spend has been analysed and is summarised in table eight below:

	Table Eight HRA Net Under spends	2010/11 (Under) /Over Spend* £	% of budget not spent	2011/12 (Under) /Over Spend* £	% of budget not spent
	Expenditure/Income				
Employees:	Salaries and Agency staff	Costs within Mgmt fee 2010/11		(274,052)	-7.94%
Indirect Employee Costs:	Redundancy costs	Costs within Mgmt fee 2010/11		168,222	
	Staff Adverts	Costs within Mgmt fee 2010/11		2,879	59.01%
	Training	Costs within Mgmt fee 2010/11		(21,794)	-51.79%
Premises:	Building Maint.	Costs within Mgmt fee 2010/11		(58,227)	-45.70%
	Electricity & gas	52,056	3.66%	(15,006)	-3.04%
	Window cleaning & Cleaning related costs	Costs within Mgmt fee 2010/11		(5,065)	-28.51%
	Premises Insurance	92,172	21.80%	(27,443)	-6.15%
Transport:	Vehicle costs	Costs within Mgmt fee 2010/11		(15,962)	-12.56%
Services & Supplies:	Relocation incentive budget	Costs within Mgmt fee 2010/11		(15,000)	-
	Transfer to Provisions	259,332		516,328	100.00%
	Public Liability insurance	Costs within Mgmt fee 2010/11		(15,120)	-22.55%
Agency & Contract: Other:	Payments	(144,692)	-0.58%	(235,627)	-5.33%
	Misc other balances	(581,655)		(112,488)	-0.97%
	Total Expenditure	(322,787)	-0.93%	(108,354)	-0.15%

	Table Eight HRA Net Under spends	2010/11 (Under) /Over Spend* £	% of budget not spent	2011/12 (Under) /Over Spend* £	% of budget not spent
	Expenditure/Income				
	Grants	(27,644)	3.62%	(27,168)	-5.22%
	Return of SHL company balances	0		(764,450)	
	Interest	16,616	8.61%	(4,645)	-4.58%
	Total Income	(11,028)	-0.03%	(796,263)	-0.29%
	Total Net (Under)/Over Spend	(333,815)		(904,617)	
	Less Carry Forwards	244,870		220,740	
		(88,945)		(683,877)	

(Key: + = increase in spend / decrease in income, () reduction in spend / increase in income)

4.3.3 As with the General Fund the 2011/12 HRA under spends have been reviewed to determine whether savings are on going. There are on-going savings of £164,630 as a result of the 2011/12 review. The on-going savings are identified in Appendix A and summarised in table nine below:

Table Nine HRA on- going savings	2012/13 IMPACT	COMMENTS
EXPENDITURE	£	
Employee	(98,630)	Fixed pension costs not required
Grounds maintenance	(10,000)	Budget not required in 2012/13
Vehicle costs	(4,000)	
Third Party Payments	(7,000)	Budget not required in 2012/13,
Other		
	(119,630)	
INCOME	£	
Fees and Charges- Supporting People	(12,500)	Increased number of self funding 'supporting people' fees
Other Fees and Charges	(32,500)	Increase in admin fees chargeable for Right to Buy applications
	(45,000)	
	(164,630)	

4.4 2011/12 – HRA Out-turn Position

4.4.1 The 2011/12 outturn position on the HRA resulting from the net under spends included in this report and detailed in Appendix A are summarised in table ten.

Table Ten –HRA Outturn Position	Working Budget
Original Budget	£66,250
Budget adjustments approved to date	(£1,089,520)
2011/12 Net under spend	(£1,057,131)
Total 2011/12 HRA Expenditure	(£2,080,401)
HRA balance Brought Forward	(3,685,184)
Net income in year	(£2,080,401)
HRA balance Carried Forward	(£5,765,585)

(Key: + = increase in spend / decrease in income, () reduction in spend / increase in income)

4.4.2 The impact on the 2012/13 HRA budget of the savings identified and the carry forwards is to decrease the 2012/13 budget by £17,330 and thereafter by £164,590 as demonstrated below.

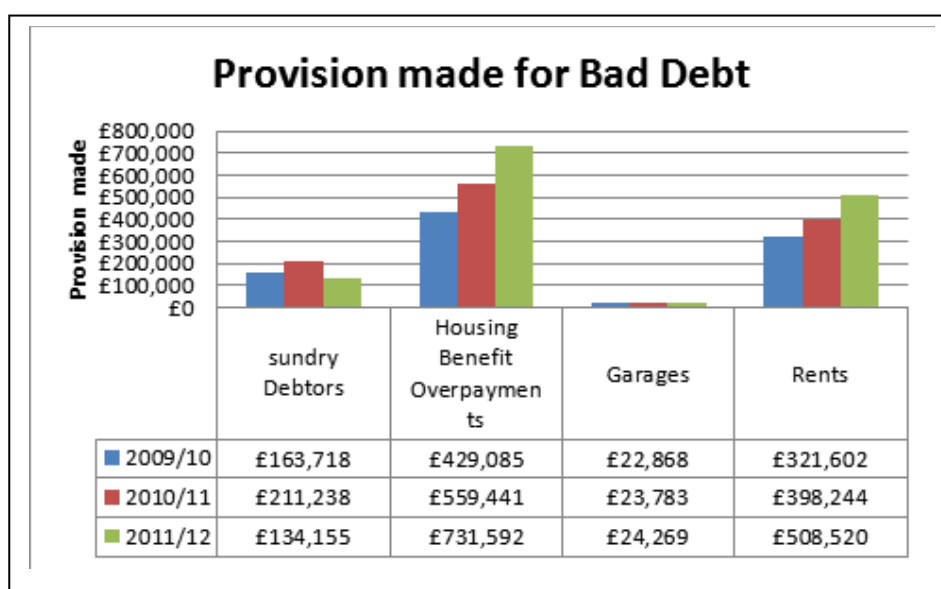
Financial Year	2012/13	2013/14
Identified savings (on-going)	(£164,630)	(£164,630)
Carry forwards Proposed	£147,300	0
Total Budget Adjustments	(£17,330)	(£164,330)

4.4.3 No assumptions have been made about the Building Maintenance surplus for 2012/13, this is because a full financial review of the service is being carried out and Members will be updated as part of the quarterly monitoring process.

4.4 Balances Sheet year end Position 2011/12

4.4.1 The Council's balance sheet is reviewed quarterly and reported annually in the Council's Statement of Accounts in its entirety. The following adjustments were made to the balance sheet as at 31 March 2012:

- **Bad Debt Provision** – The bad debt provision for the Council's debtors (excluding Council Tax and NNDR) have increased by £205,800, of which £172,151 relates to an increased provision for housing benefit overpayments. These arrears have increased from to £1,168,270 as at 31 March 2011 to £1,381,671 as at 31 March 2012. The next largest increase in the provision for bad debts related to Housing rents which accounted for £110,276 of the increase in bad debt provision. Arrears have increased by £213,097 to £1,215,190 as at 31 March 2012 and the proportion of former tenant arrears has increased as a percentage of the total debt. The provision for bad debt for sundry debtors actually decreased by £77,083. The provision for bad debt takes into account the increase in arrears and also the age of the arrears.



- **Insurance Provision** – The General Fund and HRA insurance provision increased by £205,000 over that reported at the 3rd quarter. The additional projected cost in part related to an increase in provision for claims relating to public liability insurance and the Council's housing stock. The total value of the insurance provision as at 31 March 2012 is £905,895 compared to £718,704 as at 31 March 2011.

4.5 Earmarked Reserves

4.5.1 The total value of earmarked reserves available for the Council to spend as at 1 April 2011 was £1,148,335. The value of earmarked reserves as at 31 March 2012 is £1,082,334

4.5.2 The earmarked reserves will be reviewed in the MTFS report to Executive, a summary of the earmarked reserves are shown in the table twelve below:

Table Twelve Earmarked Reserves

	Balance as at 1 April 2011	Payments to Fund Expenditure	Reported Transfers	Balance as at 31 March 2011
Reserves	£'000	£'000	£'000	£'000
Capacity Building	(251)	82		(169)
De-minimis Capital	(195)	55		(140)
Interest Equalisation	(294)		(73)	(367)
Single Status	(62)	34		(28)
Planning Delivery Grant	(346)	26		(320)
ICT Reserve	0	70	(75)	(5)
New Homes Bonus	0		(53)	(53)
Total Earmarked reserves	(1,148)	267	(201)	(1,082)

4.6 Investments and Loans

4.6.1 The Council's investments as at 31 March 2012 were £11.560million and are detailed in Appendix B. The year end balances are £4.43million lower than as at 31 March 2011, this is because investment balances have been used in preference to taking out prudential borrowing for the General Fund capital programme. The average investment rate was 0.86% (2010/11 actual 0.93%).

4.6.2 The Council has loans of £216.92million with the Public Works Loan Board (PWLb). These monies have been borrowed to fund the decent homes programme and the one off payment to the Government relating to the self-financing settlement of £199.9million, of which the majority of costs are charged to the HRA and refunded via the housing subsidy system. The HRA has not taken £0.77million of the Decent Homes borrowing but has effectively 'borrowed' from the General Fund in 2011/12 and will be charged accordingly.

5. IMPLICATIONS

5.1 Financial Implications

5.1.1 This report is financial in nature and consequently financial implications are included above.

5.2 Legal Implications

None identified at this time.

5.3 Risk Implications

5.3.1 A risk based assessment of General Fund balances is undertaken and reported to Council as part of the General Fund Budget setting process. The required level of 2011/12 General Fund balances were calculated at a minimum level of balances of £2,000,000 should be maintained, whilst the uncertainty around further Government funding remains high. This report forecasts General Fund balances in excess of this and these projections have been included in the Council's updated Medium Term Financial Strategy to be reported to Members on the 31 July 2012.

5.3.2 The HRA balances are projected to be higher than the minimum level of balances required in 2011/12 for the HRA of £3,000,000. This report forecasts HRA balances in excess of this and these projections have been included in the Council's updated Medium Term Financial Strategy to be reported to Members on the 31 July 2012.

5.4 Policy Implications

The budget framework represents a development of a policy led budgeting approach across Council services and the overall Medium Term Financial Strategy.

5.5 Equalities and Diversity Implications

This report is of a technical nature reflecting the projected spend for the year for the General Fund and HRA. None of the budget changes reported will change any existing equalities and diversity policies and it is not expected that these budget changes will impact on any groups covered by statutory equalities duties.

BACKGROUND DOCUMENTS

- 2011/12 Budget Report General Fund and HRA
- The July MTFs for the HRA and the General Fund
- 1st Quarter monitoring Report General Fund and Housing Revenue Account
- 2nd Quarter monitoring Report General Fund and Housing Revenue Account
- 3rd Quarterly monitoring report General Fund and Housing Revenue Account
- 2012/2013 Council Tax and General Fund Budget

APPENDICES

- Appendix A – Variances to the 2011/12 General Fund Budget and HRA Budget.
- Appendix B – Investment and Loans Portfolio.