

Key Decision Required:	Yes	In the Forward Plan:	Yes
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## CABINET

1 MARCH 2013

### REPORT OF FINANCE AND ASSET MANAGEMENT PORTFOLIO HOLDER

#### **A.5 CORPORATE BUDGET MONITORING REPORT FOR THE THIRD QUARTER OF 2012/13**

(Report prepared by Finance and Procurement)

#### **PART 1 – KEY INFORMATION**

##### **PURPOSE OF THE REPORT**

To provide an overview of the Council's actual financial position against the budget as at the end of December 2012.

##### **EXECUTIVE SUMMARY**

The Council's financial position against the approved budget has been prepared for the third quarter of 2012/13.

The information set out in this report is now based on the 2012/13 revised budget presented to Council on 12 February 2013.

The position to the end of December 2012, as set out in more detail in the Executive Summary attached, shows that overall the actual General Fund Revenue position is behind the profiled budget by **£4.372m**. After allowing for significant one-off budgets such as the Fit for Purpose Budget where commitments or decisions are still required, the position is revised to **£0.673m** behind the profiled budget. A considerable element of this variance is due to the timing of expenditure and income although some issues remain or have emerged over the second half of the year which are set out below.

In respect of other areas of the budget such as the Housing Revenue Account, Capital Programme, debt recovery and treasury activity, there are no significant issues that have been identified to date.

As in previous years, it is recognised that a number of smaller variances within services emerge over the course of the year that would not necessarily be specifically highlighted or discussed within the Corporate Budget Monitoring reports. Although a significant number of budgets have been reduced as part of the financial strategy process over recent years it is still possible that a range of smaller variances may remain at the end of the year and contribute to the overall position. Also a number of budgets that relate to schemes / initiatives or earmarked for specific purposes may not be fully spent by the end of the year and may be subject to end of year processes such as carry forward requests and therefore remain committed. However at this stage and after taking into account the current position and information available, it is anticipated that any adverse issues will be offset by favourable variances elsewhere within the budget.

Where emerging issues have been identified, these will be monitored and updates provided where appropriate and if necessary considered as part of the Financial Strategy

and budget setting framework in future years.

Following their review of the Financial Strategy and Detailed Budgets for 2013/14 the Corporate Management Committee provided a number of comments to Cabinet with one relating to the budget monitoring process. The comment along with the Finance and Asset Management Portfolio Holder's response that was agreed by Cabinet is set out later on in this report.

#### **RECOMMENDATION(S)**

**It is recommended that:**

- (a) The financial position as at the end of December 2012 is noted.**
- (b) The salary budgets are adjusted by £0.335m to reflect the current position with a corresponding transfer to the Fit for Purpose Budget.**

### **PART 2 – IMPLICATIONS OF THE DECISION**

#### **DELIVERING PRIORITIES**

Effective budgetary control is an important tool in ensuring the financial stability of the authority by drawing attention to issues of concern at an early stage so that appropriate action can be taken. Financial stability plays a key role in delivering the Council's corporate and community aims and priorities.

#### **FINANCE, OTHER RESOURCES AND RISK**

##### **Finance and other resources**

The financial implications are considered in the body of the report.

##### **Risk**

A number of variances will be subject to change as the year progresses although at this stage it is expected that any adverse position can be managed within the overall budgets. The budget position will be monitored and reviewed as part of both the future budget monitoring arrangements and Financial Strategy Processes.

#### **LEGAL**

The Local Government Act 2003 makes it a statutory duty that Local Authorities monitor income and expenditure against budget and take appropriate action if variances emerge.

#### **OTHER IMPLICATIONS**

**Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.**

**Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.**

The delivery of crime and disorder preventions and equality and diversity measures are managed within the overall budget.

### **PART 3 – SUPPORTING INFORMATION**

#### **BACKGROUND**

The Council's financial position against the approved budget has been prepared for the

third quarter of 2012/13.

The information set out in this report is now based on the 2012/13 revised budget presented to Council on 12 February 2013.

#### **COMMENTS FROM THE CORPORATE MANAGEMENT COMMITTEE**

Although no formal comments back to Cabinet were made by the Committee when it considered the budget monitoring report for the second quarter of 2012/13 at its 6 December 2012 meeting, comments were made by the Committee when it formally reviewed the Financial Strategy and detailed estimates for 2013/14 at its 3 January 2013 meeting.

These comments along with the response of the Finance and Asset Management Portfolio Holder were considered by Cabinet at its 23 January 2013 meeting.

In respect of the specific comment relating to the budget monitoring process, the Committee's comment and the response agreed by Cabinet are as follows (minute 77 refers):

##### ***Corporate Management Committee's comment***

*Future Corporate Budget Monitoring reports should provide additional analysis of expenditure on External Legal Advice and on planning enforcement to support the monitoring of this area of the Council's budget. The Committee supports the principle of keeping the provision of legal advice in house wherever possible and any decision to acquire external legal advice should be challenged and justified on each occasion.*

##### ***Finance and Asset Management Portfolio Holder's response***

*Officers will be requested to provide additional analysis as part of future budget monitoring reports.*

*Looking to procure internally wherever possible is a principle that has been fully supported by Cabinet in the past and continues to be so and will be reflected in the revised procurement rules that forms part of the on-going review of the Council's Constitution that will be considered by Members in 2013. Officers will be requested to provide additional analysis as part of future budget monitoring reports.*

Additional information has now been included in the next section of the report and will be included in future monitoring reports subject to any subsequent decisions / considerations.

#### **GENERAL FUND REVENUE**

The position to the end of December 2012, as set out in more detail in the Executive Summary attached, shows that overall the actual position is behind the profiled budget by **£4.372m**.

After allowing for significant / one-off budgets such as the Fit for Purpose Budget where commitments or decisions are still required, this position is revised to **£0.673m** behind the profiled budget with further details as follows:

<b>Variance As Set out In Executive Summary</b>	<b>(£4.372m)</b>
<b><i>Less Variances to date for Significant / One-off Budgets</i></b>	

Fit For Purpose	£1.897m
Contingency	£0.464m
Rural Infrastructure	£0.075m
New Homes Bonus	£0.503m
Big Society	£0.337m
Local Plan	£0.423m
<b>Variance Excluding Significant / One-off Budgets</b>	<b>(£0.673m)</b>

After further excluding the variance for employee costs of **£0.424m**, which is covered separately below, the remaining net variance is **£0.249m**

As set out in the Appendices, a considerable element of this remaining variance is due to the timing of expenditure and income or will be subject to carry forward requests at the end of the year. However some issues remain or have emerged during the second half of the year, with further details set out below:

**Appendix B** provides further details around variances other than for salaries / employee costs which are addressed across the authority as a whole below.

The following draws out the significant issues that have emerged to date:

#### **a) Expenditure Budgets Behind Profile**

##### **➤ Salaries / Employee Costs**

Overall employee expenses are behind profile by **£0.424m**.

A number of fundamental service reviews (FSR's) have now been completed with remaining reviews in progress. Significant and on-going savings are being delivered via these reviews with the most recent position being reflected in the 2012/13 revised budget and 2013/14 original budgets as presented to Council on 12 February 2013. In respect of 2012/13, the position above is due to services still working through the practical implementation of FSR's with vacancies being held whilst activities such as recruitment are undertaken or for any outstanding FSR's to be finalised.

Given that the end of the financial year is nearly upon us, the opportunity has been taken to review the salaries position with a view to further adjust the budget to better reflect the position above. After taking into account matters such as the timing of the recruitment to vacant posts, the impact on the Housing Revenue Account through recharged salary costs, the managed response within Leisure Services to the lower levels of income where expenditure items such as salary cost form part of that response, it is anticipated that salary budgets can be reduced by a further **£0.335m** for 2012/13. It is therefore proposed on making this adjustment to the salary estimates with a corresponding transfer to the Fit for Purpose Budget in 2012/13.

##### **➤ CAROS scheme expenditure budget behind profile - £0.054m**

The current position largely reflects the timing of a number of lease renewals which have not been agreed as originally expected. The figure above is therefore expected to broadly remain at the end of the year.

#### **b) Income Budgets Ahead of Profile**

##### **➤ Investment Income ahead of profile - £0.092m.**

With a favourable cash flow position, such as the current timing of expenditure against

a range of budgets, a greater level of money can remain invested until such time as it is required, which has contributed to the amount set out above.

➤ **Parking Income ahead of Profile by £0.042m.**

Although the above amount reflects the position to date, the income achieved at the end of December 2012 is now in excess of the income budget for the whole year by **£0.004m**. Therefore although parking income is historically low in the last quarter of the year the annual income budget has been achieved.

It is important to note that the annual budget is after taking into account the additional one-off funding for residents permits of **£0.250m** met from the 2011/12 outturn position approved by Cabinet at its 13 June 2012 meeting. At the same meeting Cabinet also approved that if necessary this would be supported by the contingency reserve if costs are not met from this aforementioned **£0.250m**. Given the current position, no money will need to be drawn down from the contingency budget.

There remains a number of variables against which car parking income could be affected such as the parking initiatives "Free from 3" and the residents parking scheme and the significant impact that the weather can have. The full cost of the residents parking permits within the overall net position for parking as a whole will be reviewed, against which further consideration of the operation of the scheme going forward into 2013/14 can be undertaken, following Cabinet's further commitment to extend the scheme into next year.

**c) Income Budgets Behind Profile**

Details around a number of budgets that were subject to adjustments as part of the revised budget process for 2012/13 remain highlighted below given the volatility in these areas and set against the current economic climate.

➤ **Leisure income behind profile - £0.074m.** *(In percentage terms this represents 5% of income budgeted to be achieved to date).*

Following a review of the estimated income targets during the year it was identified that projected income growth was over estimated especially in light of current market conditions. As agreed as part of Budget Monitoring reports presented earlier in the year, a further review was undertaken to identify where expenditure budgets can be reduced to partially offset this challenging income position. This resulted in the realignment of budgets with **£0.116m** of expenditure budgets being reduced to partially offset the reduction in income.

As part of the budget monitoring report for the period to the end of September 2012, it was highlighted that income was likely to remain behind profile by up to **£0.150m** to **£0.200m** at the end of the year. In response, income budgets were subsequently reduced by **£0.150m** as part of the revised budget process recently presented to Council.

It is worth highlighting that this position is partly a reflection of income growth being over estimated, with historic income levels to a large extent being maintained, which given the current economic conditions reflects the commitment of the service in responding to the challenging financial position.

The reduction in the income budgets mentioned above was also set against the context

of exploring options to 'protect' or increase income such as investment, marketing and commercial activity. Although these issues remain at the forefront of taking the service forward, a managed response to the continuing and challenging issue regarding income remains in place. The service continues to review expenditure budgets across the various leisure facilities, including salary budgets, and has identified areas where expenditure can be 'resisted' without affecting the delivery of the service. Therefore taking the Leisure Services budgets as a whole, the net expenditure position is marginally ahead of profile by **£0.020m** at the end of December 2012 which is a position that will remain under review through the last quarter of the year.

- **Planning and Building Control Fee income behind profile - £0.044m** (*In percentage terms this represents 8% of income budgeted to be achieved to date*).

Although the budgets were reduced as part of the revised budget recently presented to Council, the economic climate, weather and the extended breaks taken by contractors over the Christmas period are having a significantly greater impact than forecast, with few projects commencing at the present time. This will continue to be monitored over the remaining part of the year and it is hoped that the service can secure additional fees from any regeneration projects undertaken in the district.

- **Income from Cemeteries behind profile - £0.042m** (*In percentage terms this represents 16% of income budgeted to be achieved to date*).

Income has fallen behind the profiled budget at the end of December 2012 and is currently expected to remain behind profile at the end of the year. However this is partly offset by increased income at the crematorium (**£0.022m**) along with other favourable variances within the service. A managed response is being taken with the aim of maintaining an overall offsetting position over the remainder of the year.

- **Print Unit Income behind profile by - £0.083m** (*In percentage terms this represents 60% of income budgeted to be achieved to date*).

Although the above figure is significant, it is worth highlighting that there are corresponding reductions in the variable costs of the unit due to reduced printing jobs undertaken. Current 'savings' against expenditure budgets currently total **£0.047m**. Therefore after taking this into account the net adverse position is **£0.036m**.

A significant level of the unit's expenditure are fixed costs such as staff and equipment and therefore internal services have historically been requested to use the print unit for all work that can be done in-house although this is set against the challenge of trying to print less in the first instance. The requirement to use the in-house service is being robustly reflected in the Council's procurement processes as part of the current review of the Constitution. Set against a corporate review of the Council's printing needs and future options the current position will be monitored over the remainder of the year and into 2013/14.

#### **d) Other Budgets**

- **External Legal and Professional Advice**

Additional information is set out below in line with the Finance and Asset Management Portfolio Holder's response to the comments made by the Corporate Management Committee as part of its scrutiny of the Financial Strategy and detailed estimates in January 2013. The figures include a number of expenditure items ranging from court costs to solicitors fees.

<b>Legal and Professional Fees</b>	<b>Annual Budget</b>	<b>Spend to End of December 2012</b>
	<b>£</b>	<b>£</b>
Corporate Services – Legal Services	8,260	(330)
Corporate Services – HR	2,700	4,450
Corporate Services – Asset Management	38,380	5,452
Corporate Services – Fraud Investigations	23,710	27,230
Planning – Development Control	50,650	48,216
Planning – Enforcement	40,190	15,462
Planning – Enforcement Other	8,260	1,442
HRA – Managing Tenancies	1,000	789
HRA – Rent Collecting and Accounting	18,000	9,831
	<b>191,150</b>	<b>112,542</b>
<b>Counsel’s Fees</b>		
Corporate Services – Legal Services	22,460	7,243
<b>TOTAL</b>	<b>213,610</b>	<b>119,785</b>

#### **HOUSING REVENUE ACCOUNT – REVENUE**

An overall position is set out in the Executive Summary with further details included in **Appendix C**.

As at the end of December 2012, the HRA is **£0.294m** behind the profiled budget with no significant issues to highlight to date as this largely reflects the timing of expenditure such as maintenance and repairs.

#### **CAPITAL PROGRAMME – GENERAL FUND**

The overall position is set out in **Appendix D**.

As at the end of December 2012 the programme is behind profile by **£1.042m (£0.467m** behind profile at the end of the second quarter).

Where schemes are currently being delivered, relevant information is provided in the Appendix along with updates against significant schemes that have not yet commenced or expenditure that has not yet been incurred. There are no significant issues to highlight at this stage over and above any comments set out in **Appendix D**.

#### **CAPITAL PROGRAMME – HOUSING REVENUE ACCOUNT**

The overall position is included in **Appendix D**.

As at the end of December 2012 the programme is behind profile by **£1.699m (£1.529m** behind the profile at the end of the second quarter).

This budget relates to the on-going major repairs and improvements to the Council’s own dwellings. There are no specific issues to highlight at this stage and the expectation is that expenditure / commitments will be broadly in line with the budget over the course of the year as work is progressed and contracts let.

**CORPORATE DEBT**

A detailed analysis of the current position is shown in **Appendix E**.

There are no significant issues to highlight at the present time. Income will continue to be collected over the remainder of the year with recovery arrangements and action taken as necessary.

**TREASURY ACTIVITY**

A detailed analysis of the current position is shown in **Appendix F**

There are no significant matters to highlight at the present time with investment and borrowing activity on-going in line with the Treasury Strategy and associated practices / requirements.

**BACKGROUND PAPERS FOR THE DECISION**

None

**APPENDICES**

- Front Cover and Executive Summary
- Appendix A – Summary by Portfolio / Committee
- Appendix B – General Fund Budget Position by Department
- Appendix C – Housing Revenue Account Budget Position
- Appendix D – Capital Programme
- Appendix E – Corporate Debt
- Appendix F – Treasury Activity
- Appendix G – Income from S106 Agreements