

Draft Revenue 2011/12 Outturn and Analysis

Background

- 1.1 In line with good practice budget monitoring is undertaken on a monthly basis within the Council. The revenue and capital position is reported monthly to the Corporate Management Team and formally to the Executive on a quarterly basis. This is the Q4 provisional outturn report for financial year 2011/2012.

Monitoring Compliance with Constitutional Procedure Rules

- 1.2 It is important that any breaches of standing orders, financial procedural rules and the scheme of delegation are identified and appropriate action taken. In the fourth quarter of this year there have been no breaches of the constitution that the statutory officers (monitoring officer – Head of Law and Governance, and s151 officer – Director of Resources) are aware of that have not been appropriately rectified or reported to members. In quarters one to three there were also no breaches that the statutory officers were aware of meaning there have been no breaches throughout the entire year.

General Fund Revenue Budget

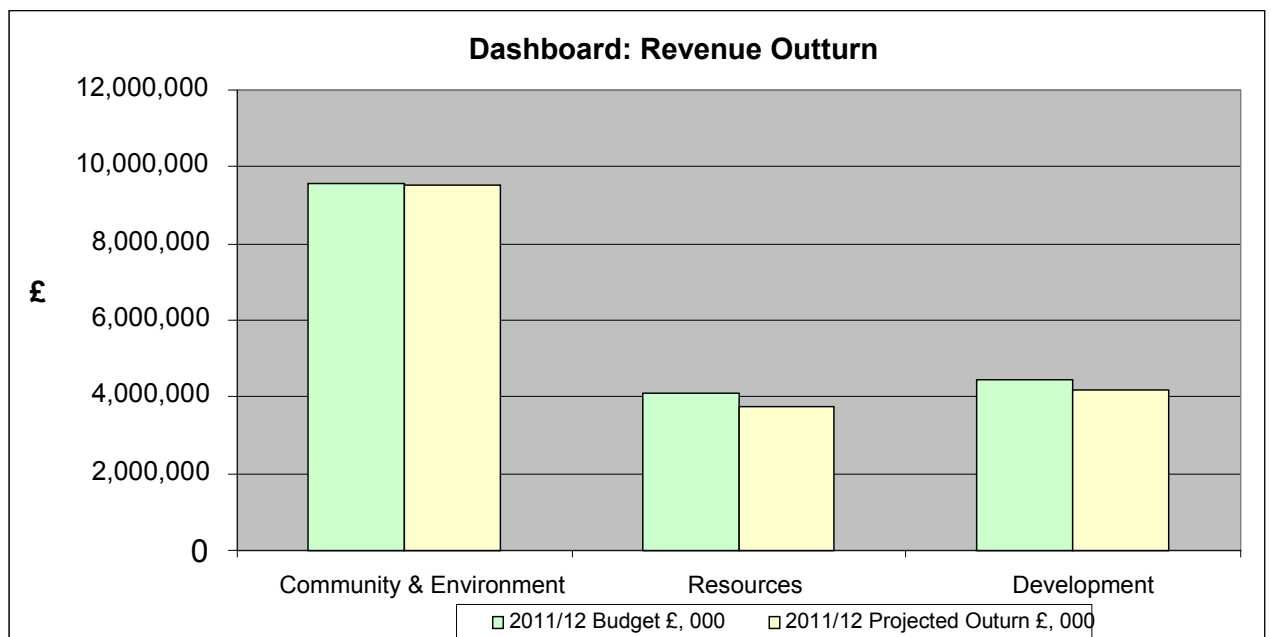
- 1.3 The draft General Fund Revenue budget is shown below.

| SERVICE EXPENDITURE | Adjusted Budget 2011-12 | Draft Outturn 2011-12 | Variance | % |
|---------------------------------|------------------------------------|----------------------------------|------------------|-------------|
| | £,000 | £,000 | £,000 | |
| Services | | | | |
| Community & Environment | 9,587,703 | 9,531,269 | -56,434 | |
| Resources | 4,119,140 | 3,752,825 | -366,315 | |
| Development | 4,443,596 | 4,201,164 | -242,432 | |
| Services Total | 18,150,439 | 17,485,259 | -665,180 | -4% |
| Capital Charges Reversed | -4,434,068 | -4,434,068 | 0 | |
| Net Expenditure Services | 13,716,371 | 13,051,191 | -665,180 | -5% |
| Reserves and Provisions | 2,143,568 | 1,213,691 | -929,877 | -43% |
| | 15,859,939 | 14,264,882 | 1,595,057 | -10% |
| Investment Income | -723,407 | -996,368 | -272,961 | 38% |
| Government Grant | -8,634,458 | -8,634,458 | 0 | 0% |
| Collection Fund | -130,417 | -130,419 | -2 | 0% |
| Council Tax | -6,371,657 | -6,372,036 | -379 | 0% |
| | -15,859,939 | -16,133,281 | -273,342 | 2% |
| Budget Carry forwards | | 611,000 | 611,000 | |
| Transfer to General Fund | | 1,257,398 | 1,257,398 | |
| Provisional Outturn | 0 | 0 | 0 | |

1.4 The Service Expenditure forecast Outturn throughout the year predicted the following:

- **Quarter 1** - On target to budget utilising £188k additional investment income and £100k use of General Risk Reserve to offset service overspends of £288k.
- **Quarter 2** - On target to budget utilising £218k additional investment income and £159k use of General Risk Reserve to offset service overspends of £377k.
- **Quarter 3** - On target to budget utilising £266k additional investment income to offset £33k service overspends, with the balance of £233k transferred to reserves – General Fund.
- **Provisional Quarter 4** - on budget subject to approval of £611k of carry forward budgets to 2012/13 and a transfer of £1,257k to general fund balances.

1.5 There is an underspend within Service Expenditure of £665,180 – this is shown in detail in the chart below and corresponding table at 1.7.



1.6 At the start of the financial year members made it clear that as well as addressing the financial deficit for future years, expenditure in the current year should be reduced where possible in order to replenish general fund balances and provide further one-off funds to deliver future savings as part of the medium term financial strategy.

1.7 The underspend against budget has arisen through a variety of reasons. The key drivers are detailed on a Directorate level in the table below. The underspend in services of £665,180 is split between directorates as follows:

| Directorate | 2011/12 Budget | 2011/12 Projected Outturn | Variance | Variance % | Comments |
|------------------------------------|---------------------|---------------------------|--------------------|------------|--|
| COMMUNITY & ENVIRONMENT | 9,587,703.20 | 9,531,269.12 | -56,434.08 | -1% | <p>Administration - Underspends in stationary, equipment (£16k) Public Conveniences - reduced contract costs and additional income (£13k) Street Cleansing - overspends with fuel costs and vehicle repairs £31k. MOT Bay - reduced income £30k. Waste & Recycling - Increase in agency costs £82k part offset by reduced salary costs of (£34k) and recycling credits £132k. Brighter Futures - accounting treatment under IFRS (£11k). CAE administration - various service underspends (£20k) Customer Services - service underspends (£79k). Vehicle Parks - Additional car park income / refunds and ECN's (£67k). Country & community - various service underspends (£35k). Facilities - net underspends (£20k)</p> |
| DEVELOPMENT | 4,443,595.61 | 4,201,164.08 | -242,431.53 | -9% | <p>Eco Town Project - accounting treatment under IFRS for grant funding. £198k Economic Development - accounting treatment under IFRS for use of LAGBI grant £36k / underspends in Special Initiatives (£50k). Conservation - Salary underspends (£20k) Eco Town Project - accounting treatment under IFRS for grant funding. £85k. Development Control New Homes Bonus (£496k) - accounting treatment under IFRS grant funding./ Various other service under / overspends £67k Housing - accounting treatment under IFRS grant funding from Planning Delivery Grant £73k/ underspends in Rent Deposits (£35k) / savings through the transfer of management of Temporary Accommodation (TA) (£35k)/ OCC contribution for TA (£20k) other service underspends (£20k) Regeneration - under recovery of budgeted Castle Quay rental income £142k / offset by additional income (£40k) / underspends in Private Contractors and Equipment Hire (£23k)</p> |

| | | | | | |
|-----------------------|---------------------|---------------------|--------------------|------------|--|
| | | | | | Net underspends in HR / Communications and Corporate Strategy & Performance of (£15k) offset overspends in Information Systems totalling £54Kk arising from additional software and telephony costs. Democratic Services - underspends in member Services (£23k)/ Unbudgeted income form SNC (£13k) Legal Services - underspend in external legal fees paid (£35k) / underspend in books and publications (£20k) / underspend in counsels fees (£7k). Land Charges - Additional search fee income (£46k). Elections - Unbudgeted income from SNC (£28k) and various other underspends. Finance- over recovery of overpayments recovered (£163k) / reduction in rent allowances (£40k) / unbudgeted income for Admin subsidy. |
| RESOURCES | 4,119,140.07 | 3,752,825.44 | -366,314.63 | -5% | |
| TOTAL SERVICES | 18,150,439 | 17,485,259 | (665,180) | -4% | |

1.8 The variance within reserves and provisions can be summarised as follows:-

| Reserves & Provisions | Variance | Detail |
|--|-----------------|---|
| | £'000's | |
| Balance on specific and general risk provisions | 210 | Created as element of 2011/12 budget – not required in 2011/12. (see carry forward table 1.11 below) |
| Joint Working provision | 600 | Created as element of 2011/12 budget – not required as all costs funded through reserve. |
| Additional Savings delivered through Joint Working with South Northamptonshire Council | 120 | In addition to the £333k budgeted savings from initial business case. (see carry forward table 1.11 below) |
| Total | 930 | |

1.9 There has been an overall net increase in projected interest receivable / payable of £273K which is related primarily to larger than budgeted cash balances. Additionally £216k has been received in respect of the investment of our Eco Town Funds. This amount has been transferred back to the Eco Town pot.

Budget Carry forwards

- 1.10 Approval is sought for the following budgets to be carry forward to 2012/13 from underspends arising from the 2011/12 outturn position

| Budget Carry Forwards | £'s |
|--|----------------|
| Consultancy Finance & Procurement | 50,000 |
| Exchequer Admin Subsidy | 71,000 |
| Consultancy Strategic Planning & Economy | 50,000 |
| Economic Development | 80,000 |
| Green Deal | 30,000 |
| Service Total | 281,000 |
| Surplus of Joint Working Savings | 120,000 |
| Unused Risk Provision | 210,000 |
| Total Carry Forward | 611,000 |

Budget Mitigations

- 1.11 The increased focus on budget monitoring and introduction of the “dashboard” has enabled more efficient use of the Council’s resources and enabled action to be taken to promptly identify and mitigate against economic issues.

Investments in Iceland

- 1.12 On 1 April 2011 the Council was successful in the Icelandic Court in securing preferential creditor status and in the subsequent appeal against this decision to the Icelandic Supreme Court.
- 1.13 The Council has received 81% of the principal in cash from Glitnir and the remaining 19% of the principal and accrued interest is currently in an Icelandic account in Icelandic kroner (ISK) The ISK is held in escrow but has not been "released" to creditors. Approval for that step is still awaited from the Central Bank of Iceland and we continue to work with LGA and Bevan Brittan on this issue.
- 1.14 Interest is accruing on the ISK monies in escrow at 3.4% and is shown in the Council’s balance sheet. In preparing the financial statements for 2011/12 the write off taken in the 2010/11 accounts has been reversed.
- 1.15 Further updates on the Icelandic funds held in escrow will be reported to the Accounts, Audit and Risk Committee as part of the regular treasury updates.

Summary

- 1.16 The variances on the revenue are within the Council’s stated tolerances and within 2% of budget provision.
- 1.17 The General Fund reserve is adequately funded to meet the overall deficit.

- 1.18 The Council continues to make excellent progress on delivering against its revenue budget. Our financial performance in terms of revenue performance; in the context of the one of the most challenging economic climates of our times is an area we can be proud of. Our performance demonstrates our ability to be nimble in responding to changing circumstances, improved capacity to deliver sizeable capital programmes and effective financial management.
- 1.19 The information in this report is in the format used for budget monitoring purposes and as reported to the Executive quarterly. It does reflect the various accounting adjustments required for IFRS but not those required to comply with the Statement of Recommended Practice (for example the various pension adjustments required by Financial Reporting Standard 17) nor is it in the same format as the statutory Financial Statement.
- 1.20 There are no direct resource requirements flowing from this report. This report is informing members of the provisional actual spend against budget on the General Fund and makes recommendations on the carrying forward of certain budgets and proposals for finalising the 2011/12 financial statements.
- 1.21 These statements will be adopted by the Accounts, Audit and Risk Committee on 27 June 2010 and then subsequently approved after audit clearance in September 2012. A detailed analysis of income and expenditure will be included within these accounts.