

RESOURCES OVERVIEW AND SCRUTINY PANEL

Panel Report

Public

Date of Meeting: 30 August 2012

Title: REVENUE BUDGET OVERVIEW AND MONITORING REPORT:
APRIL TO JUNE 2012

Report of: Director of Resources

Report reference: RD23/12

Summary:

This report provides an overview of the General Fund revenue budgetary position for the period April to June 2012 and was considered by the Executive on 6 August 2012.

Questions for / input required from Scrutiny: To note the variances contained within the report.

Recommendations: Members of the Resources Overview and Scrutiny Panel are asked to note the budgetary performance position for the period April to June 2012.

Contact Officer: Maureen McCartney

Ext: 7291



REPORT TO EXECUTIVE

PORTFOLIO AREA: FINANCE, GOVERNANCE AND RESOURCES

Date of Meeting: 6 August 2012

Public

Key Decision: No

Recorded in Forward Plan:

No

Inside Policy Framework

**Title: REVENUE BUDGET OVERVIEW AND MONITORING REPORT:
APRIL TO JUNE 2012**

Report of: Director of Resources

Report reference: RD23/12

Summary:

This report provides an overview of the Council's overall budgetary position for the period April to June 2012 for revenue schemes only. The revenue report includes details of balance sheet management issues, high-risk budgets and performance management.

RECOMMENDATIONS:

The Executive is asked to:

- (i) Note the budgetary performance position of the Council to June 2012.

Contact Officer: Maureen McCartney

Ext: 7291

CITY OF CARLISLE

To: The Executive
6 August 2012

RD23/12

REVENUE BUDGET OVERVIEW AND MONITORING REPORT APRIL TO JUNE 2012

1. BACKGROUND INFORMATION AND OPTIONS

- 1.1 In accordance with the City Council's Financial Procedure Rules, the Director of Resources is required to report to the Executive on the overall budget position, the monitoring and control of expenditure against budget allocations and the exercise of virement on a regular basis. It is the responsibility of individual Directors to control income and expenditure within their service areas and to monitor performance, taking account of financial information provided by the Director of Resources.
- 1.2 All Managers currently receive a monthly budget monitoring report covering their areas of responsibility. Information is collated from the main accounting system and then adjusted to correct any known budget profiling trends, timing differences and commitments. The report has been developed in line with the need to provide sound financial management information to inform the decision making process.
- 1.3 Throughout the report, the use of brackets indicates a credit or income budget, and the term underspend also relates to additional income generated.

2. REVENUE BUDGET OVERVIEW

- 2.1 The following statement shows the total annual revenue budget as at June 2012:

2012/13 Revenue Budget	£
Approved Budget (Council resolution – February 2012)	13,987,100
Carry forward requests (2011/12 out-turn)	357,500
Council Resolution 2012/13	14,344,600
Non-Recurring Expenditure (note 1)	
Transformation Costs (Transformation Reserve)	45,600
Updated Budget 2012/13	14,390,200

Note (1) use of earmarked reserves to fund 2012/13 expenditure.

- 2.2 Carry Forward requests relating to 2011/12 totalling £357,500 were approved by Council on 17th July 2012.

3. 2012/13 BUDGET MONITORING

3.1 The summarised budgetary position as at June 2012 is shown below:

Directorate / Appendix	Annual Net Budget (£)	Net Budget to date	Net Spend to date (£)	Adjusted Variance (£)
Chief Executive's Team	1,050,600	197,680	209,635	11,955
Community Engagement	6,221,500	791,595	800,066	8,471
Economic Development	1,418,200	386,736	497,475	110,739
Governance	1,348,200	433,722	418,702	(15,020)
Local Environment	4,708,400	2,156,094	2,107,397	(48,697)
Resources	(356,700)	3,323,446	3,299,694	(23,752)
Total	14,390,200	7,289,273	7,332,969	43,696

4. KEY ISSUES

4.1 Contractorplus, the system used to recharge the Council's operational services costs, including the Buildings and Highways Maintenance Teams, Stores and Transport Services etc., has suffered data corruption. This was found to be irreparable and all the information and data stored within the system can be neither accessed nor recovered (This is an old costing system that is no longer supported by the software supplier). An interim costing system has been created and implemented by Resources and introduced on an emergency basis in order that costs can be recharged to clients. However, the situation is being reviewed following a full assessment of the operational needs so that a decision can be taken to either adopt the interim system on a permanent basis, or procure a bespoke costing system. The findings of the review will be reported to the Executive within the next quarterly monitoring report.

4.2 The Salary Turnover Savings budget is a corporate target for the Council and savings from salary budgets across the authority are measured and then transferred to it. The full year target for 2012/13 is £242,500, reduced as part of the 2012/13 budget process as the ability to maintain the previously expected rate of salary saving was unlikely to be sustainable. Transfers of £192,500 have been made against the three months target of £60,700 and there is a surplus to date of £131,800. This is due to a number of vacancies being held pending decisions on Transformation savings.

4.3 The over spend in Economic Development is due to payments of £62,000 in respect of the Newlands Wind Farm, for which there is no budget. There are also shortfalls totalling £16,000 in the rental income from the Enterprise Centre.

5. FORECAST OUTTURN POSITION – 2012/13

5.1 The Council's financial position is affected by a number of external factors that have a financial impact during the course of the year and ultimately at the year-end. These include:

- The general effect of the economic climate on the Council's income streams e.g. car parking and leisure activities
- Fuel prices, energy costs and other inflationary issues
- The effects of the housing market and property prices, especially with regard to income from land charges and rents.

5.2 The Council's financial position will continue to be closely monitored and will be reported more fully in the next quarterly report. It will be important to maintain a prudent approach so as to ensure a sustainable budget position for future years and to avoid any significant variance at the year end.

6. HIGH RISK BUDGETS

6.1 A number of high-risk budgets have been identified which require detailed monitoring throughout the year. These include income budgets, recurring and non-recurring bids, approved in the 2012/13 Council Resolution.

6.2 The summarised position of income budgets deemed to be high risk is as follows:

Budget Area	Annual Budget £	Budget to date £	Actual to date £	Variance £
Development Control	(525,800)	(160,579)	(157,219)	3,360
Land Charges	(150,000)	(40,060)	(41,085)	(1,025)
Bereavement Services	(1,132,300)	(270,558)	(261,643)	8,915
Car Parking	(1,253,900)	(346,162)	(308,446)	37,716
Lanes	(1,383,300)	(345,825)	(326,586)	19,239

6.3 Development Control charges income has continued to decline in recent years with fewer planning applications received due to the economic downturn and the annual budget expectation for 2012/13 was reduced by £135,500. The income for the first quarter is broadly in line with this new target.

6.4 The annual budget for income from Land Charges has reduced over the past few years as a result of the continuing impact of the economic climate on the housing market and the income for the first quarter of the year is in line with the budget.

- 6.4 The income from Bereavement Services fell short of the 2011/12 target by £53,126 and the budget level is increased by £41,200 for 2012/13. Whilst the income achieved for the first three months of 2012/13 is only 3.2% below target these budgets must be closely monitored.
- 6.5 Income generated from car parking has been consistently lower than the level budgeted for a number of years and for the period April to June 2012 there is a shortfall on the forecast to date of almost 11%. However, there were significant changes to the charging strategy following a full review of the car park income during 2011/12 and the impact of the changes introduced in March 2012 has yet to be realised.
- 6.6 Income from the Lanes was reduced by £276,900 to meet the potential shortfall in income. However, although early indications show that the shortfall is likely to continue, further information is being sought from the Managing agents of the Lanes to determine the current position as the 2011/12 final rentals were significantly ahead of expectations and this could result in additional income for the Council.

7. S.106 COMMUTED SUMS

- 7.1 At 30th June 2012 balances totalling £1,380,853 are held in respect of Section 106 agreements and other commuted sums, with a further £4,641,244 expected. The expected sums, for the most part, relate to agreements for sites yet to be developed and include negotiated items that, in view of the terms of the agreement, may not be due until later phases of the development. These sums are to be used for the provision and future maintenance of public open spaces, school buildings, children's play areas, cycleways and transport facilities etc.
- 7.2 The City Council acts as custodian only for £769,750 of the sums held, in respect of projects for which Cumbria County Council is responsible, including the Caldew Cycleway and Public Realm. Should the County Council not progress these projects, or they remain incomplete before the agreed deadlines, the custodial sums must be repaid, along with a premium for interest, to the Developers. Further details of the balances retained are set out in the table below:

Commuted Sums 2012/13	Opening Balance & Receipts	Spend	Retained Balance 31/06/12	Expected Sums
	(£)	(£)	(£)	(£)
Affordable Housing Contributions	15,000	0	15,000	31,000
Cycleway & Public Realm	740,000	0	740,000	16,000
Education	0	0	0	3,500,000
Play Areas & Facilities	296,467	0	296,467	0
Public Open Spaces Provision/Maintenance	374,072	74,436	299,636	291,788
Sports Provision/Maintenance	0	0	0	48,584
Transport & Pedestrianisation	29,750	0	29,750	753,872
Total	1,455,289	74,436	1,380,853	4,641,244

8. DIRECTION OF TRAVEL

8.1 Balance Sheet Management

In line with CIPFA guidance and good practice, information relating to significant items on the Council's balance sheet is shown below. The information concentrates on those items that may have a material impact on the Council if not reviewed on a regular basis.

Balance Sheet item	Balance at 31/03/2012	Balance at 30/06/2012	Note
Investments	£16.8m	£21.2m	(i)
Loans	£15.0m	£15.0m	(ii)
Debtors	£1.36m	£3.64m	(iii)
Creditors	£0.006m	£0.22m	

- (i) The anticipated return on these investments is estimated at £431,400 for 2012/13 with current projections anticipated to be slightly below this target.
- (ii) The cost of managing this debt, in terms of interest payable, is budgeted at £1,319,100 in 2012/13 with costs currently on target. There are no proposals for further borrowing during 2012/13, although the position will need to be kept under review in respect of vehicle purchases.
- (iii) There may be a significant impact on the cash-flow of the Council if outstanding debts are not received. Any debts deemed to be irrecoverable are written off against a bad debt provision set up specifically for this purpose. Other significant debts relate to Council Tax, NNDR and outstanding claims with Cumbria County Council for Highways Claimed Rights and Civic Centre accommodation charges.

(iv) Use of reserves

The usage and level of all Council reserves are set out in the Medium Term Financial Plan (RD 27/11), approved by full Council in September 2011. It is anticipated that £1.3m will be required from the Council's Revenue Reserves to fund revenue expenditure in 2012/13 (including £357,500 of 2011/12 carry forwards). Any under or overspend at the year end will adjust the balance transferred to or from the reserve. Council reserves are under significant pressure for 2012/13 and the savings strategy approved in February 2012 will help to resolve the projected deficit. However, further savings must be identified to replenish usable revenue reserves to the minimum required.

(v) The Council's VAT partial exemption calculation for the period ending 30th June is still being calculated but is likely to be well below the 5% limit set by HMRC.

9. CONSULTATION

9.1 Consultation to Date.

SMT and JMT have considered the issues raised in this report.

9.2 Consultation Proposed

Resources Overview & Scrutiny Panel will consider the report on 30 August 2012.

10. RECOMMENDATIONS

The Executive is asked to:

- (i) Note the budgetary performance position of the Council to June 2012.

11. REASONS FOR RECOMMENDATIONS

To show that the Executive has been informed of the Council's actual financial position compared with the budgeted position and to bring to their attention any areas of concern.

12. IMPLICATIONS

- Staffing/Resources – Not applicable.
- Financial – Contained within the main body of the report.
- Legal – Not applicable.
- Corporate – SMT have been involved in the preparation of this report.
- Risk Management – Included in the report above.
- Equality Issues – Not applicable.
- Environmental – Not applicable.
- Crime and Disorder – Not applicable.

13. IMPACT ASSESSMENTS

Equality Impact Screening	Impact Yes/No?	Is the impact positive or negative?
Does the policy/service impact on the following?		
Age	No	N/A
Disability	No	N/A
Race	No	N/A
Gender/ Transgender	No	N/A
Sexual Orientation	No	N/A
Religion or belief	No	N/A
Human Rights	No	N/A
Health inequalities	No	N/A
Rurality	No	N/A

This report provides an overview of the Council's overall budgetary position for the period April to June 2012 for revenue schemes and gives reasons for variances and has no negative impact on the above.

PETER MASON
Director of Resources

Contact Officer: Maureen McCartney

Ext: 7291