

CABINET

30th August 2011

Financial Management Report 2011/12 Quarter 1

Report of the Strategic Director for Resources

STRATEGIC AIM:	To be a well-managed organisation		
KEY DECISION	YES	DATE ITEM FIRST APPEARED ON FORWARD PLAN	JUNE 2011

1. PURPOSE OF THE REPORT

- 1.1 To inform Cabinet on how the Council is performing against its revenue and capital budgets and report a forecast year end outturn position as at the 30 June 2011.

2. RECOMMENDATIONS

- 2.1 That Cabinet note the revised working budget for 2011/12 outlined at paragraph 4.1
- 2.2 That Cabinet note the forecast outturn position for the revenue and capital budgets as at 30 June 2011.
- 2.3 That Cabinet note the revised MTFP as shown at Appendix C
- 2.4 That Cabinet note the virements authorised by the Strategic Director for Resources under delegated powers during the quarter
- 2.5 That Cabinet approve the virements between £50,000 and £250,000, as set out within Appendix B
- 2.6 That Cabinet approve the transfer of budget savings to the budget reduction cost centres as per paragraph 4.8.
- 2.7 That Cabinet note the Schools Budget forecast at paragraph 4.10
- 2.8 That Cabinet note the comments received from the Scrutiny Panels in respect of the 2010/11 Financial Outturn Report (81/2011), as set out in section 6.
- 2.9 That Cabinet approve the use of the capital PSA reward grant for the remedial works to Catmose swimming pool, as per paragraph 5.2.
- 2.10 That Cabinet recommends to COUNCIL the virement in excess of £250,000 as outlined in Appendix B.

3. REASONS FOR THE RECOMMENDATIONS

3.1 To enable Members to maintain sound financial management of the Council's operations.

4. REVENUE POSITION

4.1 The following table sets out the Council's overall revenue position as at 30 June 2011.

Portfolio	Approved Budget	Revised Budget	Forecast Outturn Q1	Forecast Year End Variance
	£000	£000	£000	£000
People	16,936	16,041	15,952	(88)
Places	7,816	8,312	8,358	46
Resources	4,946	5,162	5,159	(3)
Terms & Conditions Savings	(500)	0	0	0
Social Care Pressure	108	108	0	(108)
Net Cost of services	29,306	29,623	29,470	(153)
Capital Financing	2,193	2,193	2,165	(28)
Interest Receivable	(107)	(107)	(107)	0
Net Operating Expenditure	31,392	31,709	31,528	(181)
Financing:				
Non-ringfenced grants	(5,005)	(5,005)	(5,005)	0
National Non-Domestic Rates	(6,160)	(6,160)	(6,160)	0
Council Tax	(20,836)	(20,836)	(20,836)	0
Collection Fund Surplus	(118)	(118)	(118)	0
Transfers to/(from) Earmarked Reserves	118	(340)	(340)	0
(Surplus)/Deficit	(609)	(750)	(931)	(181)
General Fund 1 April 2010	(3,553)	(4,176)	(4,176)	0
General Fund 31 March 2011	(4,162)	(4,926)	(5,107)	(181)

4.2 Since the budget was approved in February, the restructure has been finalised and the work completed on realigning the budget to the One Council structure. In addition, the budgets have been amended to reflect the 0% pay award for 2010/11 (not agreed at the time of budget approval). Cabinet decisions relating to Digital Rutland and the Growth Strategy have

also been built into the budget, plus the budget in respect of additional road repairs has been brought forward from 2010/11.

Approved Net Cost of Services		£ 29.306m
Finalisation of restructure	(£0.189m)	
1% inflation re salaries removed	(£0.110m)	
Digital Rutland (Report 432/2011)	£0.200m	
Growth Strategy (Report 78/2011)	£0.010m	
Additional road repairs grant b/f from 2010/11	£0.358m	
Revised Net Cost of Services		£ 29.623m

- 4.3 The £0.5m savings in respect of the amended Terms and Conditions have been allocated across the three directorate budgets and reduced the total budget for each directorate. The achievement of these savings will be monitored throughout the remainder of the financial year.
- 4.4 The approved budget included an unallocated service pressure allowance to be allocated only in the event of an excessive pressure developing in year. No such requirement has yet been identified; therefore the forecast will remain at nil unless and until there is a tangible change in situation.
- 4.5 As part of the outturn report, approval was received to transfer £172k to an earmarked reserve in respect of Winter Pressure relating to Adult Social Care. The reason for this was because we understood that a grant received from the PCT was instead of a grant we were due to receive in 2011/12 i.e. they paid us early. We have since received information that confirms that the amount received in 2010/11 was in addition to the 2011/12 allocation. Until we fully understand the liability that arises from this grant funding, the earmarked reserve will remain. This will be reviewed at Q2.
- 4.6 There is an underspend in the Capital Financing as a lower than anticipated level of Prudential borrowing was required in 2010/11 therefore reducing the Minimum Revenue Provision in the current year. This was reported in Cabinet report 81/2011.
- 4.7 The level of Interest Receivable is being monitored as it appears that it may be higher than budgeted as high value payments relating to the Capital Programme are not yet due, however it is too early at this stage to forecast a variance with any degree of confidence. A further update will be provided at Quarter 2.
- 4.8 The transfer from earmarked reserves is made up of the following elements:

Collection fund surplus transfer to Invest to Save reserve	£118,000
Digital Rutland allocation of LAA Reward Grant from LAA Reward Grant reserve	(£100,000)
Grant for road repairs transferred from Budget Carry Forward reserve	(£358,000)
Total	(£340,000)

- 4.9 The overall position shows a favourable variation of £181,000. Detailed explanation of the variations outlined above is contained in the Directorate Summaries at **Appendix A**. The major issues to be noted include:
- Extended Schools provision has ceased as a result of the grant, from which it was part funded, being withdrawn.
 - The Home Care Service has a number of unfilled vacancies which will not be recruited until completion of a planned staff reorganisation. A change in the client profile has resulted in a reduced forecast of income from charging.
- 4.10 Each directorate has been allocated a Cost Centre for savings targets. It is proposed that as further savings are identified in year that these be transferred into this area and further annotated as being one-off or recurring savings. The budgets will remain available to the directorate to claw back if there are pressures elsewhere within the budget but will be reviewed as part of the budget setting for 2012/13. The MTFP shown at **Appendix C** highlights the impact of the recurring savings.

The following savings have been proposed by directorates as at Quarter 1:

	People	£	
5342	Extended Schools	151,600	Recurring
5281	Connexions	19,100	Recurring
5254	Student Awards	30,200	Recurring
	Places		
1515	Highways Management	20,000	One-off
	Resources		
3455	Pension Costs	51,500	Recurring
3722	Stationery	15,000	One-off
3010	Counter Fraud	6,700	One-off

- 4.11 The Council's Financial Procedure Rules (Section B3) state that the Strategic Director for Resources has delegated authority to approved budget virements up to £50,000 and that Cabinet approve virements above this level up to £250,000 (Section B2). Virements in excess of £250,000 require Council approval (Section B1). A schedule of the virements that have been approved during the quarter is shown at **Appendix B**. Cabinet is asked to note those approved by the Strategic Director for Resources, consider the virements in excess of £50,000, and to recommend those over £250,000 to Council.
- 4.12 The Medium Term Financial Plan (MTFP) has been updated and is included at **Appendix C**. The following factors have been updated/amended in the MTFP:
- 2010/11 has been updated to reflect the outturn position and therefore the general fund balance brought forward at 1 April 2011.
 - The capital financing costs have been updated to reflect the impact of the 2010/11 capital outturn
 - The assumptions around inflation and interest rates have been reviewed

- A liability has been built in, in respect of the NHS Reform for Social Care grant. Our original understanding of this grant was that it was to meet existing expenditure, however it seems there may be an expectation that we deliver additional services with this money. A liability equivalent to 50% of the grant has been built in from 2012/13 onwards.

4.13 The Dedicated Schools Grant is fully allocated to Schools as part of the budget. The budget and forecast are shown below for information only.

	Budget £000	Forecast Q1 £000	Variance £000
DSG Income	(10,370)	(10,370)	0
Schools	10,370	10,380	10
Total	0	10	10

The movement represents an increase in the number of SEN & Recoupment service users, combined with the development of a new service for Early Years inclusion which may not fully realise the expected budgeted costs during 2011/12.

4.13 There are a number of potential financial pressures that have not yet been built into the MTFP:

- There are a number of capital investment decisions due to be taken over the coming months, including Digital Rutland and the Growth Strategy. Any borrowing implications arising from these decisions have not yet been included in the MTFP.
- There is a legal challenge underway in respect of contractual inflation not awarded in 2011/12
- We do not have enough information at this point in time to understand the impact of the decisions re RAF Cottesmore on the council tax base. It is also likely that the Council would incur additional expenditure in preparing for any transfer of Army personnel to the base.
- The Government is currently consulting on a proposal to allow Local Authorities to retain business rates from 2013/14. Until we have completed further work, it is unclear what impact this would have on the MTFP. There is also a risk that other funding streams such as the New Homes Bonus are affected by this review.
- The Department for Education has just completed a consultation on the way Academies are funded which could result in the 2011/12 and 2012/13 financial settlements being reopened and our allocation being reduced. The Council has responded robustly to this and has contributed to a collective response that the LGA has submitted.

5. CAPITAL PROGRAMME

5.1 The following table sets out the position against the Capital Programme as at 30 June 2010.

Portfolio	Approved Budget £000	Revised Budget £000	Forecast Outturn Q1 £000	Forecast Year End Variance £000
Approved Projects				
People	295	625	617	(8)
Places	11,587	11,587	11,253	(334)
Total Approved	11,882	12,212	11,870	(342)
Unapproved Projects				
People	2,423	1,943	0	(1,943)
Places	109	109	0	(109)
Resources	0	153	0	(153)
Total Unapproved	2,532	2,204	0	(2,204)
Total Capital Programme	14,414	14,416	11,870	(2,546)
Financing:				
Grant	(12,575)	(12,577)	(10,365)	2,212
SCE(R)	(392)	(392)	(58)	334
Supported borrowing				
Unsupported borrowing	0	0	0	0
Capital receipts	(396)	(396)	(396)	0
Contributions	(1,051)	(1,051)	(1,051)	0
RCCO	0	0	0	0
Total Financing	(14,414)	(14,416)	(11,870)	2,546

5.2 The most significant variances within the capital programme are summarised below:

- Approval to defer the Oakham Town Centre Improvements was obtained via Cabinet Report 111/2011 (16/08/11)
- Approval is sought to use the PSA grant (£40,900) shown in Appendix D3 to fund the installation of a solar film to the swimming pool at Catmose Campus. This is essential work to prevent overheating in the pool and avoid the need for pool closures.

5.3 Detailed explanations of the variations within each directorate are contained within **Appendix D**.

5.4 Cabinet previously agreed that post completion reports would be produced for all completed capital schemes greater than £50,000. These will be presented to Cabinet as the outcome of schemes is known.

6. SCRUTINY FEEDBACK ON THE 2010/11 OUTTURN REPORT

6.1 At the time of writing, Report 81/2011 had been considered by the People (Adults and Health) and Resources Scrutiny Panels. A verbal update will be provided at the meeting on any issues arising from the Places Scrutiny Panel discussion of the 2010/11 outturn report.

6.2 Items to note from scrutiny are as follows:

- The possibility of financial monitoring reports going to Scrutiny before Cabinet was discussed at the Resources Panel. However, as the reports are re- presented to Cabinet after all Scrutiny Panels had considered them, this was felt to be satisfactory
- A discrepancy in the report was highlighted by the Resources panel. This will be clarified at the next meeting of the panel but assurance was provided that the monitoring reports are now being compiled directly from Agresso extracts which reduces the risk of errors arising due to manual manipulation of the information. The panel welcomed this.
- The Resources panel highlighted the need for guidance and training for Members on financial matters. This is currently being developed.

7. RISK MANAGEMENT

RISK	IMPACT	COMMENTS
Time	Medium	It is essential that this information is reported to Cabinet on a timely basis
Viability	Not relevant	
Finance	High	It is vital that Cabinet are advised regularly and in a timely manner of the position in relation to revenue and capital.
Profile	High	The financial position of the Authority is high profile at the current time
Equality and Diversity	Low	Initial Equality Impact Assessment completed, there are no particular issues in this area.

Background Papers
Revenue Budget 2011/12
Capital Programme 2011/12

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