

# CABINET

21st February 2012

## Financial Management Report 2011/12 Quarter 3

Report of the Strategic Director for Resources

STRATEGIC AIM:	All		
KEY DECISION	YES	DATE ITEM FIRST APPEARED ON FORWARD PLAN	OCTOBER 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 31 December 2011.

### 2. RECOMMENDATIONS

#### 2.1 That Cabinet note

- 2.1.1 the revised working budget for 2011/12 outlined at paragraph 4.1.
- 2.1.2 the forecast outturn position for the revenue and capital budgets as at 31 December 2011.
- 2.1.3 the virements authorised by the Strategic Director for Resources under delegated powers during the quarter.
- 2.1.4 the technical virements as set out in Appendix B.
- 2.1.5 the Schools Budget forecast at paragraph 4.18.

#### 2.2 That Cabinet approve

- 2.2.1 the transfer of budget savings to the budget reduction cost centres as per paragraph 4.15.
- 2.2.2 the use of the Invest to Save Reserve and the Catmose Extension Reserve as detailed in paragraph 4.7.

#### 2.3 That Cabinet recommend to Council

- 2.3.1 That Council note the technical virements as set out in Appendix B.
- 2.3.2 That Council approve the increase from a part time post to a full time additional post within SMT Support from 1 March 2012 (as detailed in paragraph 4.12 and Appendix A3 for SMT Support) and approve an increase in the annual budget of £10k for this.

- 2.3.3 That the balance of the Anglian Water section 106 money is paid to Hambleton Parish as per paragraph 4.9**
- 2.3.4 That budgets totalling £691,300 relating to the Places Directorate Capital Programme are carried forward into 2012/13 (as detailed in paragraph 5.2 and Appendix C2).**
- 2.3.5 that a capital reserve is created for the Better Schools For All RAF Cottesmore school budget totalling £405,300 so that it can be spent in 2012/13 once the requirements have been determined (as detailed in paragraph 5.2 and Appendix C2).**

### **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 31 December 2011.

Portfolio	Approved Budget	Revised Budget	Forecast Outturn Q1	Forecast Outturn Q2	Forecast Outturn Q3	Latest Forecast Year End Variance
	£000	£000	£000	£000	£000	£000
People	16,936	15,914	15,838	15,347	15,394	(520)
Places	7,816	8,418	8,368	8,423	8,563	145
Resources	4,946	5,312	5,274	5,178	5,089	(223)
Terms & Conditions Savings	(500)	0	0	0	0	0
Social Care Pressure	108	108	0	0	0	(108)
<b>Net Cost of services</b>	<b>29,306</b>	<b>29,752</b>	<b>29,480</b>	<b>28,948</b>	<b>29,046</b>	<b>(706)</b>
Capital Financing	2,193	2,193	2,165	2,165	2,165	(28)
Interest Receivable	(107)	(107)	(107)	(130)	(140)	(33)
<b>Net Operating Expenditure</b>	<b>31,392</b>	<b>31,838</b>	<b>31,538</b>	<b>30,983</b>	<b>31,071</b>	<b>(767)</b>
<b>Financing:</b>						0
Non-ringfenced grants	(5,005)	(5,005)	(5,005)	(5,005)	(5,005)	0
National Non-Domestic Rates	(6,160)	(6,160)	(6,160)	(6,160)	(6,160)	0
Council Tax	(20,836)	(20,836)	(20,836)	(20,836)	(20,836)	0
Collection Fund Surplus	(118)	(118)	(118)	(118)	(118)	0
Transfers to/(from) Earmarked Reserves	118	(465)	(340)	(355)	(722)	(257)
<b>(Surplus)/ Deficit</b>	<b>(609)</b>	<b>(746)</b>	<b>(921)</b>	<b>(1,491)</b>	<b>(1,770)</b>	<b>(1,024)</b>
<b>General Fund 1 April 2011</b>	<b>(3,553)</b>	<b>(4,176)</b>	<b>(4,186)</b>	<b>(4,186)</b>	<b>(4,168)</b>	<b>8</b>
<b>General Fund 31 March 2012</b>	<b>(4,162)</b>	<b>(4,922)</b>	<b>(5,107)</b>	<b>(5,677)</b>	<b>(5,938)</b>	<b>(1,016)</b>

4.2 The current budget has been updated since Quarter 2 to reflect supplementary estimates approved by Cabinet and other adjustments as noted below:

<b>Approved Net Cost of Services as reported Q2</b>		<b>£ 29.627m</b>
Planning Delivery Grant – budget to cover the costs of preparing the Local Development Framework (Cabinet report 169/2011)	£0.110	
Supplementary Estimate for Democratic Services Post from October 2011 (Cabinet report 172/2011)	£0.015	
<b>Revised Net Cost of Services</b>		<b>£ 29.752m</b>

4.3 As noted in the previous quarterly reports 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. Performance against these savings is reported in **Appendices A1-A3**.

- 4.4 As reported in the previous quarterly reports 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 The level of Interest Receivable is continually monitored. The updated position for the year is that the Interest Receivable will be £33k higher than originally budgeted. This is due, in part, to some high value payments for Capital Programme work still not yet being due, and also because actual interest rates on investments are slightly higher than were originally budgeted for. The original budget forecast was based on an average interest rate of 0.5%. The forecast now assumes an average interest rate of 0.9%.
- 4.6 The position for transfers to/(from) Earmarked Reserves has changed from that reported in Quarter 2 and is made up of the following elements:

Approved 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)
Transfer of Training Budget rolled forward from 2010/11	(£15,000)
<b>Total Transfers approved and reported at Q2</b>	<b>(£355,000)</b>
Use of Planning Delivery Grant Reserve to cover the costs of preparing the Local Development Framework (Cabinet report 169/2011)	(£110,000)
Transfer of unallocated balance of Area Based Grant from the Budget Carry Forward Reserve	(£147,000)
Transfer from Catmose extension reserve	(£79,400)
Approved use of invest to save reserve	(£30,410)
<b>Total forecast transfer from earmarked reserves</b>	<b>(£721,810)</b>

- 4.7 Further proposed use of earmarked reserves includes
- Use of the Invest to Save Reserve.
    - To fund the cost of the SEN Operations redundancies (£20,410), which were agreed could be funded from this reserve. (Approved)
    - To fund the cost of redundancies for 2 officers within the Resources Directorate (£10,000). (Approved)
    - To fund the cost of the Capita computer system within the Admissions Service (£14,500). However this will need to be the subject of a separate report to Cabinet to seek approval for the use of the Invest to Save Reserve.
  - Use of the Catmose Extension Reserve. Remedial repair work to the roof of the council building has had to be undertaken. It is proposed that £79,400 of this should be funded from the Catmose Extension Reserve. Cabinet approval is sought for this.
- 4.8 A Winter Maintenance Reserve will be created which will be funded by a transfer of any Winter Maintenance budget underspend (after adjusting for

stocks) at the year end. Approval for this was sought from Cabinet in the Budget Report (31/2012) on 7 February 2012.

- 4.9 2011/12 is the final year of receipts from the Anglian Water Section 106 funding. The majority of mitigation infrastructure schemes have been completed; with a current underspend of £22,800. Some of the initial schemes identified for Hambleton have not progressed as they were either not technically feasible or the parish did not support the options. It is therefore recommended that the remainder is spent on the Hambleton Community Scheme.
- 4.10 The overall position shows a favourable variance of £1,016,000 for the general fund balance. This is an overall change in the forecast general fund balance of £261,000 since Q2. £256,000 of this movement is due to the increased transfer of funds from earmarked reserves.
- 4.11 Detailed explanation of the variation outlined above is contained in the Directorate Summaries at **Appendix A1 to A3**. The major changes and issues that have arisen since Quarter 2 include:
- There has been approval for inclusion of a budget of £110,000 for the Planning Delivery Grant which is to cover the costs of preparing the Local Development Framework. This is to be funded from the Planning Delivery Grant Reserve (See paragraph 4.2 and 4.6 above)
  - Revenue funding of £200,000 to support the initial stages of the Digital Rutland project was approved by Cabinet on 15 March 2011 (Report 43/2011). This budget was initially expected to cover the project costs for 3 years to 2013/14. However the latest forecast position is that there will be an overspend of £4,400 at the year end. This is due to the requirement to engage external legal and technical support. However when this project becomes a capital scheme then there will be an opportunity to charge any legitimate capital costs that have been incurred to the capital scheme thus reducing the level of revenue funding required.
  - SMT Support requires additional capacity and it is proposed to increase this by turning a part time position into a full time position. The budget requirement for this in 2011/12 will be for March only and can be funded from salary savings within the cost centre, but for 2012/13 onwards there will need to be an increase in the budget of £10,000 to cover the additional hours (i.e. 0.5 FTE on Scale 3). Approval is sought from Council to increase the establishment and the budget for this.
- 4.12 The Council is due to receive one off additional funding of £83,400 from the Department of Health for investment in social care services which also benefit the health system. This is in recognition that during the winter period, health services experience significant pressures particularly in hospitals and therefore the additional funding is to enable local services to discharge patients from hospitals more quickly and provide effective ongoing support for people in their own homes. Schemes have been identified to utilise the funding to support the objectives of the Department of Health and it is anticipated that this additional funding will be spent by the 31st March, in agreement with the terms of the funding.
- 4.13 For 2011/12 each directorate has been allocated a Cost Centre for savings targets. It is proposed that as further savings are identified by services in

year that these are transferred into this area and further annotated as being one-off or recurring savings. The budgets will remain available to the service that offered the savings up, to claw back if budget pressures materialise later on in the year elsewhere within service area.

- 4.14 The table below shows the cumulative position for savings including the savings that have been proposed by directorates in Quarter 3:

	<b>Cumulative Savings</b>	<b>One-off</b>	<b>Recurring</b>
	<b>People</b>	<b>£</b>	<b>£</b>
	Bal B/fwd from Q2	130,000	192,900
5241	Childminder Start Up (offered up in Q2 as one-off, but it has now been confirmed as being recurring)	(10,000)	10,000
4670	Voluntary Sector Grants	15,000	
5609	Team 9		45,000
4109	Drug Strategies		33,400
4208	Aiming High	23,700	
4240	Other Children & Family Service	7,500	
5255	Drug and Alcohol Services from Young People	11,000	
4231	Youth Offending Services	8,500	
4710	Homelessness	10,300	
4260	Learning Disability	35,200	
4490	Mental Health	10,000	
5346	Portage		6,300
5431	Transitions	10,000	18,800
4117	Adult Stroke Service		20,000
	Bal C/fwd to Q4	<b>251,200</b>	<b>326,400</b>
	<b>Places</b>		
	Bal B/fwd from Q2	70,000	0
2500	Waste Management	30,000	
2810	Licences	20,000	
	Bal C/fwd to Q4	<b>120,000</b>	<b>0</b>
	<b>Resources</b>		
	Bal B/fwd from Q2	21,700	51,500
	Bal C/fwd to Q4	<b>21,700</b>	<b>51,500</b>
	<b>Total</b>	<b>392,900</b>	<b>377,900</b>

- 4.15 The only virements requiring approval in this quarter were approved by the Strategic Director for Resources. Details of these are given in **Appendix B**. In addition to these virements there have been some technical virements i.e. those that do not need approving as they do not result in a change of the use of the original budget, but just move it to a different area. These technical virements are listed for information also in **Appendix B**.
- 4.16 An update of the Medium Term Financial Plan (MTFP) has not been included in this quarterly monitoring report as it has been updated as part of the Budget 2012/13 report which is being presented as a separate report to this Cabinet meeting.

4.17 The Dedicated Schools Grant is fully allocated to Schools as part of the budget. This current forecast for the DSG is that there will be £542,100 available to support the School budgets next financial year. This will enable the Council to continue to fund the schools to the same level as for 2011/12.

## 5. CAPITAL PROGRAMME

5.1 The following table sets out the position of the Capital Programme as at 31 December 2011.

Portfolio	Approved Budget £000	Revised Budget £000	Forecast Outturn Q1 £000	Forecast Outturn Q2 £000	Forecast Outturn Q3 £000	Forecast Year End Variance £000
<b>Approved Projects</b>						
People	295	2,522	617	617	578	(1,944)
Places	11,587	11,696	11,243	11,689	9,996	(1,700)
Resources	0	208	0	41	151	(57)
<b>Total Approved</b>	<b>11,882</b>	<b>14,426</b>	<b>11,860</b>	<b>12,347</b>	<b>10,725</b>	<b>(3,701)</b>
<b>Unapproved Projects</b>						0
People	2,423	1,943	0	0	0	(1,943)
Places	119	119	0	0	0	(119)
Resources	0	57	0	0	0	(57)
<b>Total Unapproved</b>	<b>2,542</b>	<b>2,119</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,119)</b>
<b>Total Capital Programme</b>	<b>14,424</b>	<b>16,545</b>	<b>11,860</b>	<b>12,347</b>	<b>10,725</b>	<b>(5,820)</b>
<b>Financing:</b>						0
Grant	12,575	12,577	10,372	10,395	8,800	(3,777)
SCE(R)	446	392	58	58	58	(334)
Supported borrowing						
Unsupported borrowing	0	0	0	0	0	0
Usable Capital Receipts Reserve	396	396	396	396	396	0
Contributions	1,051	1,034	1,034	1,034	1,034	0
Financing to be identified	0	0	0	464	437	437
<b>Total Financing</b>	<b>14,468</b>	<b>14,399</b>	<b>11,860</b>	<b>12,347</b>	<b>10,725</b>	<b>(3,674)</b>

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

- Catmose Campus is projected to overspend due to additional works required to clear the former school site for development. This was reported to Cabinet on 15 November 2011 (Report 172/2011).
- The council was notified of additional grant funding of £9,647 for Disabled Facilities Grant from Communities and Local Government in January 2012. The expenditure budget has been increased to reflect this.
- There has been an additional allocation of £33,000 to the Integrated Transport Block for 2011/12. This has been received as a capital grant that is not ring-fenced. Approval is sought from Cabinet to utilise this on the 'Oakham – Various Sites' scheme within the Places Directorate Capital Programme and to increase the budget accordingly.

- There are several areas of underspend within the Places Directorate capital programme. It is proposed that a total of £641,500 is carried forward into 2012/13 relating to the Highways and Transport capital programme and that £49,800 is carried forward into 2012/13 relating to the major bridge maintenance and A47 detrunking. Cabinet is asked to recommend to Council that it approves the carry forward of the budgets totalling £691,300.
- There is an underspend on the Better Schools For All budget of £541,700. This comprises a balance of around £136k which will be returned to the schools in line with the Devolved Formula Capital (DFC) contributions they made towards the scheme. The remainder of the underspend is £405,300 which is to be spent on the school at the Cottesmore Base. Cabinet is asked to recommend to Council that it approves the creation of a reserve to place the RAF Cottesmore school funding into, which will then be used in 2012/13 once a full assessment of the requirements are established.

5.3 Detailed explanations of the variations within each directorate are contained within **Appendices C1 to C3**.

## 6. 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	The report sets out the detailed Q3 position and forecast outturn for the financial year.
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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A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.