

CABINET

17 July 2012

Q4 Financial Monitoring and Financial Outturn 2011/12**Report of the Strategic Director for Resources**

STRATEGIC AIM:	Delivering Council Services within our Medium Term Financial Plan		
KEY DECISION	YES	DATE ITEM FIRST APPEARED ON FORWARD PLAN	May 2012

1. PURPOSE OF THE REPORT

- 1.1** To inform Cabinet of the outturn figures for the financial year 2011/12, the statutory Statement of Accounts, and an update on the Council's Medium Term Financial Plan (MTFP).

2. RECOMMENDATIONS

That Cabinet:

- 2.1** Note the 2011/12 revenue outturn position and general fund position at 31 March 2012.
- 2.2** Note the current balance of earmarked reserves and their specific purposes shown in paragraph 4.9.
- 2.3** Approve the carry forward of £30,000 on the training budget as outlined in Appendix 4.
- 2.4** Approve the carry forward of £6,000 for the Jubilee celebrations as outlined in Appendix 4.
- 2.5** Approve the financing of the over spend on Disabled Facilities Grants from capital receipts as set out in paragraph 5.3.
- 2.6** Note the outturn on the 2011/12 Capital Programme and approve the carry forward of the capital schemes listed in paragraph 5.4.
- 2.7** Approve the financing of the overspend on Catmose Campus from unallocated DFC and Targeted Capital Fund as set out in paragraph 5.3.
- 2.8** Note the updated MTFP per Appendix 8 and the uncertainty over future levels of funding as set out in section 6 of this report.

3. REASONS FOR THE RECOMMENDATIONS

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

4. REVENUE OUTTURN 2011/12

- 4.1** Prudent spending in the latter part of the year has resulted in a total under spend for the year of £1.882m. This is £0.755m greater than the forecast reported at Q3. This means that at 31 March 2012 the general fund balance is £6.692m. At the time the budget was set we forecast the balance to be £5.937m.
- 4.2** Based on this and historic trends it is concluded that there is ongoing capacity to reduce budgets. There is also the opportunity for the Council to review some of the key longer term decisions in relation to capital investment and Council Tax Levels. Rutland has historically high Council Tax and we are keen to build on recent low increase and two years of 'freezes'.
- 4.3** Balances can support the Council during the predicted period of financial turbulence as planned within our MTFP but can also be used to support investment and maintain low council tax increases.
- 4.4** The summary revenue position at 31 March 2012 is shown at **Appendix 1**. Detailed performance by Directorate is shown at **Appendices 2 to 4**.
- 4.5** A series of Star Chamber meetings have been held to discuss the Outturn for 2011/12. This enabled Portfolio Holders and Officers to review the year's activities and to share best practice to further improve the efficient and effective delivery of services in future. As a result of this the following changes to quarterly reporting are currently under development:
- The summary revenue position will include a section on risks which will be quantified on a single line rather than within Directorate budgets.
 - We need to establish a method for highlighting how much of the forecast is based on actual and commitments and how much is based on the budget managers forecast.
 - If we see 3 quarters (regardless of the financial year), where the forecast on a budget reduces we should consider permanently reducing the budget.
- 4.6** As well as the movements within Directorates there have been a number of transactions at a corporate level which have impacted upon the general fund balance:
- At the end of 2010/11 two provisions were made in respect of ongoing claims against the council for breach of contract. We have reviewed these provisions and concluded that they are no longer required to be held. A total amount of £135k has therefore been transferred back to the general fund. A small outstanding provision in respect of the restructure has also been reversed.
 - Additional non- ring fenced grants were received that were not anticipated for Personal Search Fees, Early Intervention, and Free Travel.
 - A previously ear-marked reserve relating to the Catmose Extension has now been transferred back into the General Fund.
- 4.7** The information shown in **Appendices 2-4** shows the financial information provided in relation to the operational transactions during the year. However during the production of the Statement of Accounts various transactions are

undertaken which result in an adjusted position for the Comprehensive Income and Expenditure Statement (CIES). These transactions are as follows:

- **Pension Fund** – This is the difference between the contributions made to the pension fund for the year and the actuary's estimate of the amount of pension that employees have earned in the year. In accordance with accounting rules, the Council must recognise the cost of retirement benefits within the Net Cost of Services when they are earned by employees rather than when the benefits are actually paid as pensions. In addition, the balance sheet must recognise the liabilities that show the underlying commitments that the Council has in the long run to pay retirement benefits. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- **Capital charges** – These are the charges made to services for the use of assets during the year (depreciation). They do not impact upon the general fund balance but under accounting rules must be shown in the CIES. Actual borrowing costs are shown within 'Financing and Investment Income and Expenditure' on the CIES.
- **Accumulated Absence** – This is an adjustment made to include the costs for absences earned in the year (annual leave) but not taken in the year e.g. annual leave entitlement carried forward at 31 March.
- **Provisions and Reserves** – these are the adjustments to and from (contributions to and use of) both usable and unusable reserves that the authority holds. It also includes transfers between reserves.

4.8 The table below reconciles the Net Cost of Services in the Outturn summary (**Appendix 1**) to the CIES in the Draft Statement of Accounts:

Description	Outturn £000	Pension Fund £000	Capital Charges £000	Accumulated Absence £000	Provisions & Reserves £000	CIES £000
People	15,219	(74)	4,908	226	(293)	19,986
Places	8,409	(29)	1,435	29	(231)	9,613
Resources	4,925	(31)	196	35	(36)	5,089
Net Cost of Services	28,553	(134)	6,539	290	(560)	34,688

4.9 In addition to the general fund the following earmarked reserves are also held:

Reserve	Purpose	Balance 31/3/12
Invest to Save	To provide funds for service improvement initiatives that will deliver savings in the future.	£456,900
Planning Delivery Grant	To progress the Local Development Framework	£114,300
Internal Audit	To fund additional capacity required to deliver the audit plan work	£33,800

Reserve	Purpose	Balance 31/3/12
Local Strategic Partnerships	Funding of the local strategic partnership initiatives	£409,100
Budget Carry Forward	Budget and grant carried forward for spending in 2012/13	£862,000
Winter Maintenance	Underspends on winter maintenance will be transferred here to build up a reserve to ensure resilience to cope with extreme winter conditions should they arise in the future and result in spend greater than budget in a financial year.	£19,100
Demographic Changes	To meet the increasing demands on the Council as a result of demographic changes.	£172,000
Total		£2,067,200

4.10 No virements were completed during Quarter 4.

5. CAPITAL PROGRAMME

5.1 Appendices 5 to 7 show the detailed final spending position on each scheme within the 2011/12 capital programme. The spending and funding are summarised below:

Portfolio	Current Budget £000	Forecast Outturn Q1 £000	Forecast Outturn Q2 £000	Forecast Outturn Q3 £000	Outturn £000	Year End Variance £000
Approved Projects						
People	646	617	617	578	535	(111)
Places	11,925	11,243	11,689	9,996	8,301	(3,624)
Resources	208	0	41	151	57	(151)
Other	0	0	0	0	116	116
Total Approved	12,779	11,860	12,347	10,725	9,009	(3,770)
Unapproved Projects						
People	1,897	0	0	0	0	(1,897)
Places	119	0	0	0	0	(119)
Resources	112	0	0	0	0	(112)
Total Unapproved	2,128	0	0	0	0	(2,128)
Total Capital Programme	14,907	11,860	12,347	10,725	9,009	(5,898)
Financing:						
Grant	12,577	10,372	10,395	8,800	8,339	(4,238)
Supported Borrowing	392	58	58	58	0	(392)
Unsupported Borrowing	0	2	0	0	0	0
Usable Capital Receipts Reserve	396	396	396	396	30	(366)
Contributions	1,034	1,034	1,034	1,034	510	(524)
Revenue Contributions to Capital Outlay	0	0	464	0	34	34
Transfer to Provision	0	0	0	0	96	96
Financing to be identified	508	0	0	437	0	(508)
Total Financing	14,907	11,860	12,347	10,725	9,009	(5,898)

- 5.2** The Capital Outturn position shows a variance of £5.9m from the budget which is a movement of £1.7m since the Q3 forecast.
- 5.3** The most significant variances within the capital programme are summarised below:
- There was an overall under spend of £0.111m within the People's capital programme. This largely relates to an under spend of £0.042m for Devolved Formula Capital (being the element of the budget that related to schools that have now converted to academies) and an under spend of £0.091m for Home Repairs and Improvements (although grant for this has been used to cover the costs of the Disabled Facilities Grants).
 - There is a residual overspend of £0.029m on Disabled Facilities Grants. The proposal is to finance this from the capital receipts received from the VAT shelter agreement with Spire.
 - There was a total underspend of £3.624m within the Places capital programme. Of this approval is sought or has already been given to carry forward £3.248m of unspent budgets where schemes carry over into the next financial year.
 - The Better Schools for All final phase of the project has been completed and leaves an underspend of £0.133m to be returned to schools in line with their Devolved Formula Capital contribution. Approval has also been given to transfer £0.405m of the Better Schools for All budget relating to the school at Kendrew Barracks to a provision for future use on that school.
 - There is an overspend of £268k for the Catmose Campus project. It is proposed that the overspend on Catmose Campus is financed using DFC balances and the Targeted Capital Fund grant that is released due to the underspend on the Little Build project.
- 5.4** Below is a table detailing all the budgets which were not spent at the end of the year for which approval is sought for them to be carried forward into 2012/13.

Capital Programme Budget - Carry Forward Requests	
	£000
People	
Children's Play Programme	11
One Finance System Upgrade	9
Free Swimming Programme	2
Total	22
Places	
Bridges	122
Oakham town Centre	256
Asset Management Plan	25
A606 Empingham to Shacklewell	99
B668 Greetham to A1 Roundabout	24
Signing to key destinations (cycling and walking)	10
Adult Soccer	246
Post 16	2,061
Better Schools for All (Kendrew Barracks transfer to provision)	405
Total	3,248
Resources	
Local Strategic Partnership Schemes	88
Solar Film for the Swimming Pool at Catmose Campus	41
Total	129
Total Carry Forward to 2012/13	3,399

6. MEDIUM TERM FINANCIAL PLAN (MTFP)

6.1 An updated MTFP is shown at **Appendix 8** and has been updated for the following:

- Use of £0.3m of the 2011/12 under spend for the Digital Rutland project as approved by Council on 14 May (Report 97/2012).
- A total vacancy management target of £0.580m per year, equivalent to 5% of staff costs. This is an additional £0.250m to the target already built in re T&C savings. The under spend in 2011/12 on staffing equated to 9% but we believe this is too high to sustain in the longer term.
- The annual revenue costs of the Ashwell Business Park project as approved at Full Council 14 May 2012 (Report 98/2012)
- The assumptions around non-ringfenced grants have been reviewed and amended to reflect an anticipated 8% annual reduction from 2013/14.
- Potential additional annual savings of £300k identified through Star Chambers – this will be reviewed more thoroughly as part of Q1 reporting.

6.2 As set out in paragraph 4.2, the outturn position and historical trends highlight that there is capacity to reduce budgets. There are several options that Members may wish to consider but these must be considered in the context of the risk and uncertainty around future levels of Local Government Funding.

- 6.3** The impact of the move to allow Local Authorities to retain a greater proportion of the Business Rates they collect is not yet fully understood. Indicative numbers are not anticipated until the Autumn.
- 6.4** As part of the welfare reform agenda, the Government has made plans to abolish Council Tax Benefit from April 2013 and introduce localised Council Tax Support. Whilst legislation is progressing Rutland County Council has been developing and designing our scheme for post April 2013. Nationally, the message from central government has been that council tax benefit funding will be reduced by 10%. However, indicative figures published in May show the figure for Rutland as £1,403,000 plus £38,000 for local precepting authorities. This is significantly less than expected and equates to nearer a 20% reduction. The Council are strongly lobbying the Central Government on this matter. The following table demonstrates the potential impact of this.

Financial Year	Government Contribution	Pension Age Claimants	Working Age Claimants
2012/13	£1,860,000	£1,050,000	£810,000
2013/14	£1,403,000	£1,050,000	£353,000
Shortfall in funding	£457,000	£0	£457,000
Provision in MTFP	£100,000		
Additional pressure	£357,000		

- 6.5** An annual provision has been made in the MTFP to fund the shortfall in benefit funding but the numbers above mean there could still be a £0.357m pressure.
- 6.6** In summary, there is further work to be undertaken to understand the impact of the changes that come into effect from 1 April 2013. Until this is complete, it is advised that no firm decisions are taken on the options around the MTFP.

7. RISK MANAGEMENT

RISK	IMPACT	COMMENTS
Time	Low	The outturn is reported within a reasonable period after the end of the financial year and in line with the timescales as set out in the Accounts and Audit (England) Regulations 2011
Viability	Low	There are no significant issues within this report
Finance	Medium	The report highlights the position at the end of 2011/12 and the impact over the longer term.
Profile	High	The financial position of the Authority is high profile at the current time
Equality and Diversity	Low	There are no particular issues arising from an Initial Equality Impact Assessment.

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

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