

MAIDSTONE BOROUGH COUNCIL
RECORD OF DECISION OF THE CABINET

Decision Made: 08 August 2012

BUDGET MONITORING - FIRST QUARTER 2012/13

Issue for Decision

To consider the financial position of the revenue and capital budgets at the end of each of the first three quarters of the financial year, including a summary of Treasury Management performance as at the end of each quarter.

Decision Made

1. That the satisfactory revenue position at the end of the first quarter 2012/13 be noted.
2. That the proposals for slippage and re-profiling in the capital programme to 2013/14 as set out in Appendix B to the report of the Head of Finance and Customer Services be agreed.
3. That the detail in the report of the Head of Finance and Customer Services on the collection fund, general fund balances and treasury management activity be noted.

Reasons for Decision

The Director of Regeneration & Communities is the Responsible Financial Officer, and has overall responsibility for budgetary control and financial management, in accordance with the constitution. However, in practice day to day budgetary control is delegated to service managers, with assistance and advice from their director and the finance section. In consideration of this fact, whilst appreciating the need for Cabinet to remain fully aware of the Council's financial situation, Cabinet agreed to receive these quarterly reports, including a section reporting on treasury management performance.

Revenue

The budget used in the report of the Head of Finance and Customer Services is the agreed estimate for 2012/13 including the carry forward resources agreed by Cabinet in May 2012. Actual expenditure to June 2012 includes all major accruals for goods and services received but not paid for by the end of the quarter.

Analysis at a summary level of the full year budget, the profiled budget to June 2012 and expenditure to June 2012 is attached as Appendix A to the report of the Head of Finance and Customer Services. The profiled budget

shows the total amount expected to be spent by June 2012 after considering the expected pattern of spend throughout the year for each budget head.

Appendix A to the report of the Head of Finance and Customer Services shows actual spend is £0.38m less than the budget at the end of quarter one. A detailed analysis of the figures at cost centre level shows 127 out of a total of 215 cost centres are currently reporting actual spend less than budget, which mirrors the position throughout 2011/12.

As part of a series of changes to the budget monitoring and reporting process the financial analysis set out in Appendix A to the report of the Head of Finance and Customer Services is based on direct expenditure only. This removes the influence of internal recharges and accounting adjustments upon the variance analysis. It is hoped that, by the September 2012 period end, the reports will also provide a predicted year end position based on feedback from budget managers.

Also shown at Appendix A to the report of the Head of Finance and Customer Services is an analysis of cross service figures, which identifies that the majority of the underspend is focused on employee costs, due to continuing vacancy levels, and underspend in the cost of supplies and services. The budget agreed at Council each year, includes an assumption that normal vacancy levels will provide £0.15m slippage in a full year. Proportionately, £37,500 of the slippage assumption relates to this first quarter.

The third table at Appendix A to the report of the Head of Finance and Customer Services summarises the position with regard to fees and charges income. This was the subject of a separate report to Cabinet in December 2011 as this has been an area that has been adversely affected by the economic downturn. At the end of the first quarter income is slightly above the target figure by £36,000. Specific issues regarding fees and charges income from Development Control, On Street Parking and Park & Ride are dealt with in more detail in the following paragraphs.

Since the budget was agreed by Council in February 2012 the government has announced a new burden grant of £84,000 for the localisation of Council Tax Benefit. This is included in the variance reported under the Leader of the Council. The grant will be required to fund the cost of changes to the Revenue & Benefits system and the cost of consultation. This will effectively reduce the underspend in later periods of this year.

A number of service areas are reporting significantly less spend or additional income than was budgeted at the end of quarter one and reports on these areas are given below:-

- a) Recycling collection is reporting an underspend of £30,357. There has been better than anticipated income of £17,157, primarily from the hire of green waste bins, although the additional income in this area is partially offset by less than anticipated income from garden sack sales. It was noted that the Cabinet Member for Environment had recently made a decision on service changes that means a removal of the garden sacks. The service changes are expected to

provide additional benefit and any efficiency gain will be considered in the Medium Term Financial Strategy.

- b) Development Control Applications are showing a significant increase from fees and charges, with £51,028 additional income received to date. However, there have been a number of large application fees received in the first quarter. Cabinet should note that the service has commenced recruitment of an additional member of staff on a 2 year fixed term contract to reflect the current workload.
- c) On Street Parking is showing greater than anticipated income of £17,520, as well as less than anticipated expenditure of £20,362. The Transport and Parking services manager has indicated that a programme of works for lines and signs has been identified, and this will be undertaken in bulk, during quarters 2 and 3, thus benefiting from economies of scale. The under spend on the repairs and maintenance therefore should reduce during the next two quarter.

A number of areas are showing significantly more spend or a shortfall in income than was actually budgeted at the end of quarter one, and these are reported below:-

- a) The Homelessness Temporary Accommodation budget is showing expenditure greater than budget of £28,560. This budget experienced similar problems during the last financial year, with expenditure on providing bed and breakfast accommodation being significantly higher than the budgeted figure. Growth of £60,000 was approved as part of the budget strategy for 2012/13 however demand for this service continues to be higher than anticipated. The service manager is working with the Cabinet Member to bring forward proposals to reduce this pressure.
- b) The Sundry Corporate Property budget is reporting expenditure greater than budget of £72,630. The main element of this is the vacant retail unit underneath King Street Multi-Storey Car Park, for which business rates are still due. Officers are currently in the process of evaluating future options for both the car park and the retail unit, and will report on these shortly.
- c) The East Wing development at the Museum has resulted in a business rates bill of £97,423. However, budgetary provision for this was only £42,980. The Property Services section are disputing the current valuation with a view to achieving a reduction during the year. There are also a number of budgets where expenditure is currently greater than anticipated by a total of £23,749. Given that this is the first full year of the new development budgets are being monitored closely to see what impact this has on both income and expenditure budgets.
- d) The budget for Park and Ride is showing a shortfall of £38,114 against the anticipated budget, mainly due to a continuing shortfall in income. The income levels have been decreasing for a number of years and this quarter's income follows that trend.

The Transport & Parking Services manager is working closely with Arriva to improve service efficiency by rebalancing resources to meet service demand. Park and Ride processes and procedures are also under review to identify increased efficiency and further savings

At this stage the report of the Head of Finance and Customer Services identified no risks that require action by Cabinet. The issues identified above are expected to be resolved by appropriate management action during the year.

Through the budget strategy, savings and efficiencies were identified totalling £1.9m. These savings are being monitored corporately and it is anticipated that the target will be met in year.

Balances

Balances as at 1st April 2012 were £10.1m. The current medium term financial strategy assumes balances of £5.7m by 31st March 2013. The major reasons for the movement in balances during 2012/13 relate to the use of carry forwards approved by Cabinet in May 2012.

The position set out above allows for the minimum level of balances of £2.3m as previously agreed by Cabinet.

Collection Fund

The collection rates achieved for the first quarter, and the targets set, are reported below. The rate is given as a percentage of the debt targeted for collection in 2012/13.

	Target %	Actual %
NNDR	33.1	34.3
Council Tax	30.1	30.1

Both are on or slightly above the collection targets, although performance is stable and comparable to this point in previous years.

Prior year arrears collection is on target and officers will continue to pursue payment of any developing arrears along with the arrears from prior years.

Capital Expenditure

Attached at Appendix B to the report of the Head of Finance and Customer Services was a summary of the current capital programme for 2012/13, as agreed by Council. This includes the initial capital programme for the financial year plus amounts carried forward from 2011/12.

The table in Appendix B to the report of the Head of Finance and Customer Services gives the following detail:

Column	Detail.
1.	Description of scheme, listed in portfolio order.

2.	Approved budget for 2012/13 after the adjustments detailed above.
3.	Actual spend to the end of June 2012.
4.	Balance of budget available for 2012/13.
5 - 7.	Quarterly analysis of expected spend for the remainder of 2012/13.
8.	Balance of budget that will slip into 2013/14.
9.	Budget no longer required.

Capital expenditure to the end of the first quarter of 2012/13 is shown as £1.2m. £0.9m of this spend is in relation to the major projects at Mote Park and in the High Street.

Following the first quarters monitoring, officers anticipated that £0.118m will need to be reprofiled into 2013/14. This is detailed in column 8 of Appendix B to the report of the Head of Finance and Customer Services. Given below is an individual report on the major items:

- a) £35,000 of the budget for Mote Park Regeneration is required to be slipped into 2013/14 to cover the funding for the Audience Development Manager.
- b) The £5,200 budget for CCTV at Park & Ride sites is no longer required.
- c) £26,000 of the budget for Support for Social Housing can be slipped into 2013/14.
- d) £50,000 of the budget for Gypsy Sites will not be required until 2013/14.

Capital Financing

The agreed capital programme 2011/12 to 2014/15, as approved by Council in March 2012, and subsequently amended by Cabinet in May 2012 and again in July 2012, identifies sufficient resources to finance the 2012/13 programme.

Resources that can currently be confirmed are:

<u>Funding Source:</u>	<u>£.m</u>
Grants & Contributions	2.1
Capital Receipts	3.0
Revenue Support	<u>3.9</u>
	9.0

The capital receipts figures includes the disposals of Hayle Place and 13 Tonbridge Road which took place in April. Progress is also being made on a number of other potential disposals, which could realise further receipts during the year.

Based on the current projected expenditure shown at Appendix B to the report of the Head of Finance and Customer Services there are sufficient resources to fund the programme for the current year without the need to borrow.

The slippage and re-profiling agreed above will mean that net expenditure of £0.118m will be re-profiled into 2013/14.

Treasury Management

The Council has adopted and incorporated into its Financial Regulations, the CIPFA Code of Practice on Treasury Management 2009 (Revised) in Local Authorities. This Code covers the principles and guidelines relating to borrowing and investment operations. In March 2011 the Council approved a Treasury Management Strategy for 2011/12 that was based on this code. The strategy requires that Cabinet should be informed of Treasury Management activities quarterly as part of budget monitoring.

The first quarter of 2011/12 saw:

- Further weakening of the economic outlook.
- A rise in employment and a consequential fall in unemployment, but earnings growth remained weak.
- Continued reductions in the measures of inflation.
- The Bank of England & the HM Treasury announce measures to help the UK banking sector.
- The Monetary Policy Committee indicating another tranche of quantitative easing.
- House prices dropping in two of the first three months.

The Council's Treasury Management Advisors, Sector Treasury Management, provide the following forecast:

- The first base rate increase is expected to be in the first quarter of 2014.
- Rates are then expected to steadily rise reaching 1.5% by March 2015.
- Long term PWLB rates are expected to steadily increase to reach 5.10% by early 2015.

As at 30th June 2012 the Council held £28m in investments. A full list of investments held are shown at Appendix C to the report of the Head of Finance and Customer Services. £12m of investments in the appendix are in accounts which can be called upon immediately or for a short notice period.

During the first quarter of 2012/13 investment income has been above target. Income of £68k received compared to a budget of £57,000 with an average rate of 1.08%.

Alternatives considered and why rejected

The budget monitoring process could be left to officers. The Constitution already requires officers to report budget variances to the relevant Cabinet Member in specific circumstances. The absence of any such reports would then suggest that no specific items have been identified for consideration.

If such an approach were taken Cabinet Members would have a reduced financial awareness. This could restrict Cabinet's ability to meet service requirements and achieve the Council's corporate objectives.

Background Papers

Electronic budget monitoring and performance reports within financial systems.

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Head of Change and Scrutiny by: 16 August 2012
