

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – 23 JULY 2013

Title of report	PROVISIONAL FINANCIAL OUTTURN 2012/13
Key Decision	a) Financial Yes b) Community No
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Purpose of report	To present the provisional financial outturn for 2012/13.
Reason for Decision	Requirement of Financial Procedure Rules
Council Priorities	Value for Money
Implications:	
Financial/Staff	Financial issues are contained within the report.
Link to relevant CAT	None.
Risk Management	There are significant financial risks to manage which were fully considered during the budget process.
Equalities Impact Assessment	Not required.
Human Rights	No implications.
Transformational Government	The Value for Money programme will need to provide significant efficiency savings.
Comments of Head of Paid Service	The report is satisfactory
Comments of Section 151 Officer	The report is satisfactory
Comments of Monitoring Officer	The report is satisfactory
Consultees	Corporate Leadership Team

Background papers	None
Recommendations	THAT CABINET NOTES THE PROVISIONAL FINANCIAL OUTTURN POSITION FOR 2012/13, APPROVES THE VFM RESERVE, PROPOSED FUTURE CONTRIBUTIONS AND EXPENDITURE

1.0 INTRODUCTION

- 1.1 The Council is required to produce Financial Statements each year which “give a true and fair view” of the financial position and transactions of the Council. These have been prepared under International Financial Reporting Standards since 2010/11. The 2012/13 accounts will be considered and approved by the Audit and Governance Committee on 25 September 2013 after they have been audited. The format of the accounts is in a prescribed form which is different to that of the monitoring statements and this report sets out the provisional outturn for the year in the more usual format so that they can be compared with the original budgets.
- 1.2 This report summarises the main elements of our financial performance in 2012/13 and the results are referred to as ‘provisional’ as they are still subject to external audit and may change.
- 1.3 Members will note that the financial tables are in more summarised form than those reported during the financial year and reflect various technical changes, although none of these adjustments affect the “bottom line” and consequently were not included in the original approved budget. The comparison between the approved budget and the expected actual expenditure is shown as a variance in each comparative table below.

2.0 GENERAL FUND

- 2.1 The expected final position on the General Fund is set out in Table 1. The overall underspending for the year was £453,000 representing 4.3% compared with the net budget.
- 2.2 Directorate Expenditure was £357,000 or 4.0%, below budget. This was achieved through a determined policy to reduce costs through the implementation of efficiencies following the major reduction in core funding to local authorities in 2011/12 which is expected to continue at least until the end of the Council’s MTFS period in 2017/18. The savings, and increases in income, were achieved across a range of services and the major variances against budget were:

	£	£
Increased Recycling income	115000	
Increased Development Control Income	62000	
Increased Land Charges income	50000	
Increased Rent Received on Industrial Units	22000	
Salary savings	<u>350000</u>	
	<u>599000</u>	
Offset by:		
Costs of Planning Appeals etc		170000
Decrease in Building Control Income		<u>72000</u>
		<u>242000</u>
		<u>357000</u>

- 2.3 Elsewhere in the budget the council did not spend any of its contingency fund of £230,000 and because of technical accounting changes Financing Costs were £92,000 higher than budget.

Table 1	Original Budget £'000	Provisional Outturn £'000	Provisional Variance £'000
Directorate Expenditure	8,849	8,492	-357
Contingency	230	0	-230
Capital Financing Costs	1,035	1,127	92
Investment Income	-45	-50	-5
Capital Schemes funded from Revenue	0	33	33
Additional Grant	0	14	14
Contribution to VFM Reserve	464	917	453
	10,533	10,533	0

- 2.4 The Value for Money reserve provisional balance as at 31.3.13 is as below:

	£000
Balance b/f 1.1.12	1,631
Budgeted contribution 2012/13	464
Spent in Year	(40)
Underspending 2012/13	<u>453</u>
Balance c/f 31.3.13	<u>2,508</u>

- 2.5 The contributions to the Value for Money Reserve will enable future schemes that create value for the Council to receive the necessary one-off support that they may require. The effective use of the Value for Money Reserve is an important part in achieving the challenging budget savings targets in the Council's Medium Term Financial Strategy (MTFS). Broad allocations from the VFM Reserve were included in the updated MTFS, approved by Cabinet on 11 June 2013:

- £750,000 "Planning for the Future" reserve – this will be a reserve available to support the evolving "Planning for the Future" programme which will be outlined in a future Cabinet report.
- £1m for expenditure on investment needs/priorities for invest to save projects within services.
- £250,000 for the Improving Customer Experience Project – improving the accessibility to services for customers e.g. increasing transactional opportunities on the Council's website. This is in addition to £70,000 already in the capital programme.

At its meeting on 18 June 2013 the Council agreed to earmark £175,000 of reserves as a contingency for financing costs should the Growing Places loans not be fully repaid within the four year interest free period.

Since those meetings there has been further analysis of the above costs and also proposals for expenditure. The following is proposed to Cabinet for approval as outlined spending areas:

VFM RESERVE PROPOSED FUTURE CONTRIBUTIONS/EXPENDITURE

(1) Commitments from the fund 2013/14	£'000
• Coalville Market	(-48)
• Learning Pool (HR system)	(-10)
• Added years pension	(-5)
• Superfast broadband	(-54)
• Stenson House installation	(-20)
• Payroll/HR/finance system	(-60)
(2) Growing Places contingency	(-175)
(3) Invest to save projects (future Cabinet reports)	(-1,180)
(4) Improving Customer Experience (ICE)	(-250)
(5) Planning for the Future project	(-742)
(6) Pre-Talent Match Pilot Project	(-22)
(7) Contributions to the Fund 2013/14	<u>58</u>
Total commitments	(-2,508)

2.6 The General Fund Balance at the end of March 2013 was £1.045m, as budgeted, and is in line with the Council's agreed Medium Term Financial Strategy (MTFS). As the Council's Chief Finance Officer, the Head of Finance and the external auditors are satisfied that this is adequate.

2.7 During 2011/12 the Council joined the Leicestershire Revenues and Benefits Partnership. In 2012/13 the Partnership underspent by £95,107. At 31 March 2013 the Partnership held a reserve of £79,166 of which £20,592 was attributable to NWLDC contributions. The reserve is to be used for service investment to improve performance and increase efficiency

3.0 HOUSING REVENUE ACCOUNT (HRA)

3.1 The financial performance of the HRA is summarised in Table 2. The expected final position is a surplus of £1.938m, being £1.025m higher than the budget. The surplus on the account has been added to the HRA balance which now stands at £3.759m. This additional surplus means we are ahead of our business plan profiled position in terms of making provision to repay our first two loans totalling £13.5m in 2021/22.

3.2 The major service savings are shown below:

Repairs and Maintenance

A total of £348,000 has been carried forward to 2013/14 to ensure adequate budget provision is available when the projects commence. This includes £284,000 for external painting and pre paint repairs, £50,000 for garage and hardstanding area resurfacing, and £14,000 to fund a pilot scheme for retrofitting green technologies to Council tenant's homes. All these will be fully expended in 2013/14. In addition there was a surplus of £154,000 on the housing repairs budget, as a result of lower than projected numbers of repairs being reported, than was projected when the budget was set. Additionally the winter weather this year was not as severe as in previous years.

Supervision and Management

Of the £217,000, a total of £47,000 was as a result of the delayed introduction of the under occupation incentive to move scheme, following extensive consultation over the schemes details. A total of £104,000 related to the Older Persons Service and this included £65,000 due to non filling of vacancies in middle management posts, and the responder service being delivered on our behalf by Hinckley and Bosworth Borough Council, much more cost effectively than direct employment would have been. In addition we secured savings of £28,000 following the re-tendering of our Lifeline system maintenance contract.

Additionally, £15,000 was as a result of the part year introduction of the bereavement allowance, to address the issue of rent arrears being left on deceased tenants accounts, and £7,000 was as a result of a lower than projected number of tenants being temporarily rehoused due to the improvement programme.

Capital Financing

This is largely as a result in a reduction in expected loan financing costs of £418,000 due to lower level of "take on" debt following HRA reform than previously anticipated.

Transfer to Reserves

The £310,000 represents the balance from funds brought forward from 2012/13, adjusted for any surplus amounts previously carried forward.

Table 2	Original Approved Budget £'000	2012/13 Provisional Outturn £'000	Provisional Variance £'000
HOUSING REVENUE ACCOUNT			
Repairs and Maintenance	4,543	3,967	(576)
Supervision and Management	2,190	1,973	(217)
Provision for Doubtful Debts	60	90	30
Capital Financing (Depreciation & Debt Management)	4,010	3,996	(14)
Total Expenditure	10,803	10,026	(777)
Less Rental Income & Service Charges	(15,635)	(15,638)	(3)
Subsidy Received from National Pool	0	(41)	(41)
Net Cost of Service	(4,832)	(5,653)	(821)
Capital Financing (Principal & Interest)	3,850	3,405	(445)
Investment Income	(25)	(24)	1
Premature Loan Redemption Premiums	24	24	0
Net transfer to reserves	0	310	310
Contingency	70	0	(70)
NET (SURPLUS) / DEFICIT	(913)	(1,938)	(1,025)

4.0 SPECIAL EXPENSES

4.1 The expected final position on Special Expenses is a small surplus of £24,000. Table 3 below gives further details.

Table 3 Special Expenses	Original Budget £'000	Provisional Outturn £'000	Provisional Variance £'000
Special Expenses	738	748	10
Net Financing costs	-75	-113	-38
Contribution to Earmarked Reserves	0	20	20
Expenditure Requirement	663	655	-8
Precept	-653	-653	0
Funding From Reserves	10	2	-8

4.2 The opening Special Expenses Reserves Balance was £84,000 and after the deficit of £2,000 for the year, this now stands at £82,000.

5.0 CAPITAL

5.1 The Council's capital spending summarised in Table 4 was £7.2m which was £3.0m lower than the budget, in line with the Quarter 4 forecast.

Table 4 Scheme	Approved Budget £'000	Provisional Outturn £'000	Provisional Variance £'000
HOUSING			
Improvements and Modernisation	8,240	5,907	(2,333)
Disabled Facilities Grants	745	482	(263)
OTHER SERVICES			
Parks and Recreation Grounds	250	9	(241)
IT & Software	152	21	(131)
Transport Account Vehicles	690	693	3
Council Offices	90	88	(2)
TOTAL CAPITAL PROGRAMME	10,167	7,201	(2,966)

5.2 The £2.3m under-spending on the Housing Improvements and Modernisation includes planned slippage of £850,000 for Insulation Work to be undertaken in 2013/14 and 2014/15 alongside the Green and Decent pilot scheme. There is a further £585,000 slippage into 2013/14 for properties in the Decent Homes programme where there have been access problems. A number of other contracts including Fire Precautions, Fire Alarms/Emergency Lighting and Lift Replacements are being tendered and the works completed in 2013/14.

5.3 The underspending on Disabled Facilities Grants was caused by expenditure slipping from the previous year and in turn 2012/13 expenditure will slip into 2014/15 along with the resources to fund it. Approvals granted late in the financial year generally result in grant payments being made in the first part of the new financial year.

- 5.4 Slippage from the previous year allowed additional spending on General Fund services, including the Council Offices Lighting scheme. The refresh of ICT desktop equipment has been delayed until 2013/14 to ensure that the most up to date configurations are used which support the latest versions of Office.
- 5.5 The under spending on Parks and Recreation Grounds is mainly due to slippage in various schemes including; the pavilion improvements at Scotland Recreation ground and replacement of the Owen Street Recreation Ground changing room development project. The Cropston Drive BMX Track scheme is likely to be implemented in 2013/14 after consultations have taken place and the Urban Forest Park scheme of works is also programmed for 2013/14.