



St Edmundsbury
BOROUGH COUNCIL

D90

Performance and Audit Scrutiny Committee 30 July 2012

Budget Outturn and Financial Highlights Report: 2011/12

1. Summary and Reasons for Recommendations

- 1.1. Statutory requirements for the reporting and approval of the Council's annual financial statements are set out in the Accounts and Audit Regulations 2011. The regulations require the Council to submit draft accounts to its external auditors (currently the Audit Commission) by 30 June each year, with member scrutiny and approval of the accounts required once the audit has been concluded (normally by 30 September each year). The 2011/12 draft accounts were submitted to external audit at the end of June and the audit is now in progress. A copy of the draft accounts is available on the Council's web site www.stedmundsbury.gov.uk.
- 1.2. Now that the draft accounts have been prepared, the purpose of this report is to provide members with an overview of the Council's budget outturn and financial highlights for the 2011/12 financial year. The audited financial statements will be presented to this committee at its meeting on 25 September 2012 for scrutiny prior to its approval by full Council on 27 September 2012.

2. Recommendations

- 2.1 The committee is asked to note the information contained within this report and forward any relevant issues or comments to Cabinet for consideration.

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3. Corporate Objectives

3.1 The recommendation(s) meet the following, as contained within the Corporate Plan:-

- (a) Working together for prosperous and environmentally-responsible communities; and
- (c) Working together for an efficient Council.

4. Key Issues

4.1 Financial Commentary on the Year

4.1.1 External economic pressures and uncertainty are continuing to impact on the finances of the Council. Undoubtedly the most significant challenge currently facing local government is the reduction in Government grant funding as set out in the 2010 Comprehensive Spending Review. For St Edmundsbury Borough Council, this resulted in a 23.5% reduction in Government grant during 2011/12 (from £7.07m in 2010/11 to £5.41m in 2011/12) with an additional 9.1% cut (from £5.41m to £4.92m) announced for 2012/13 and the expectation of further reductions in future years. In response to these cuts in funding, the Council has continued to make significant budget savings. St Edmundsbury already have an excellent track record of achieving year-on-year savings having delivered savings of £8.9m since 2005/06 (including £1.9m in 2011/12) and are delivering a further £2.15m savings in 2012/13.

4.1.2 Below is an explanation of our revenue, capital and reserves movements in the year 2011/12, and a summary of the Council's treasury management activities.

4.2 Revenue Income and Expenditure

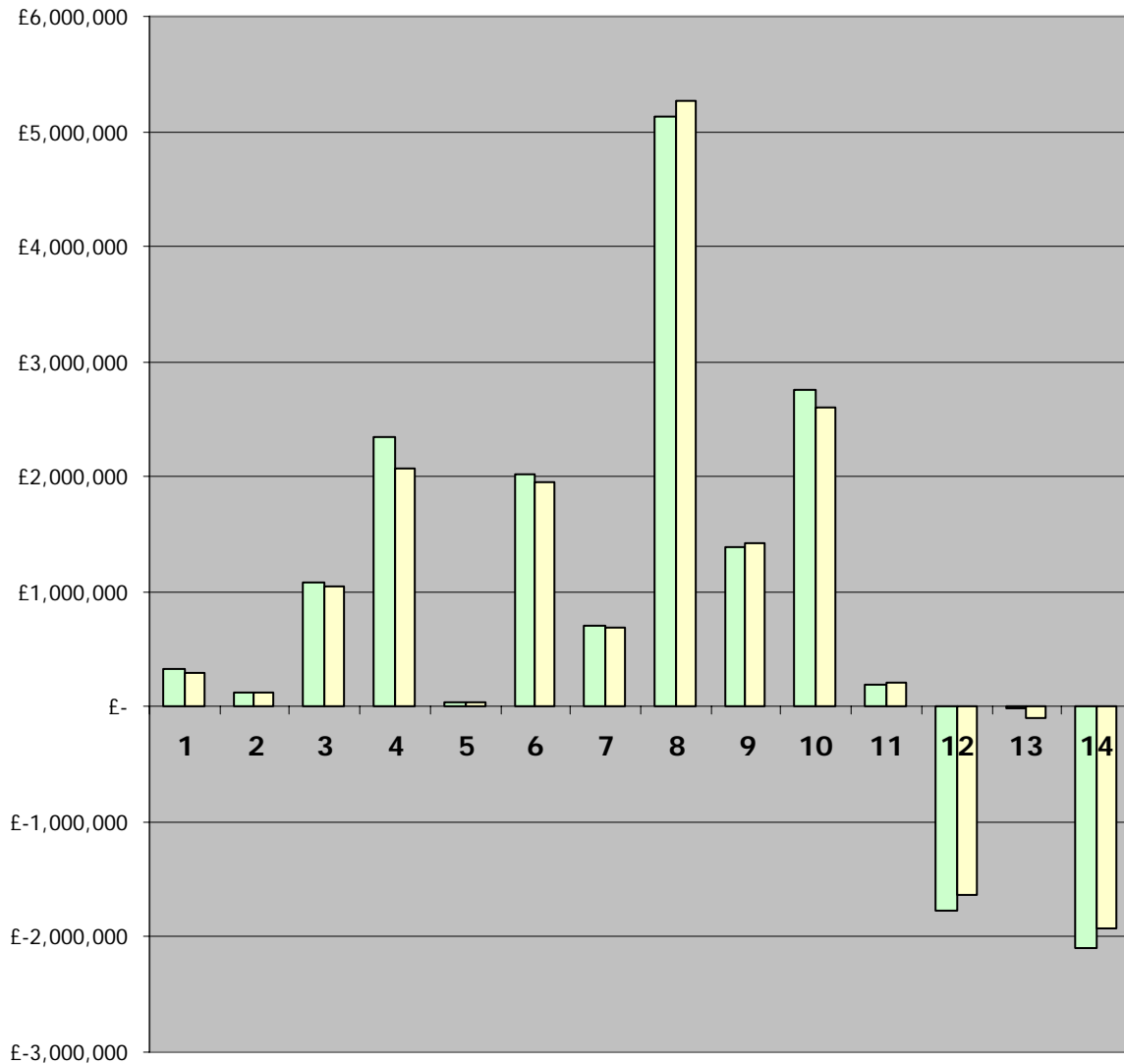
4.2.1 The revenue account (known as the General Fund) is used to fund the Council's day-to-day services. The Council receive significant income from government departments, fees and charges and various other sources to carry out particular areas of work. However, overall expenditure is greater than these sources of income, and the difference is made up by government grants, council tax and the use of reserves. This section sets out:

- a comparison of the 2011/12 budget and actual expenditure
- an explanation of the main variances
- an explanation of how we paid for our services.
- a comparison of the General Fund to the Statement of Accounts.

4.3 Comparison of the 2011/12 budget and actual expenditure

4.3.1 The Council set a net expenditure budget for 2011/12 of £12.229m. The actual net expenditure for the year was £12.091m, resulting in a budget underspend for the year of £0.138m. Table 1 below provide an overview of budgeted and actual net expenditure on Council services during the 2011/12 financial year with further details provided at appendix 1.

Table 1 - Comparison of the 2011/12 budget and actual expenditure



■ 2011/2012 Budget
■ 2011/2012 Actual

- 1 Chief Executives Office inc. communication
- 2 Mayoralty
- 3 Legal & Democratic Services
- 4 Financial Services, ICT, Revs and Bens, Procurement
- 5 Emergency Planning
- 6 Health & Housing
- 7 Neighbourhood Management and Development
- 8 Leisure Services
- 9 Planning
- 10 Waste Management
- 11 Economic Development
- 12 Engineering
- 13 Property Services
- 14 Corporate Property

4.3.2 The main reasons for the budget variances are set out in table 2 below. They combine a range of overspends (the first 5 rows) and underspends (the next 6 rows) resulting in the net underspend of £0.138m.

Table 2 – The main variances

Major Variances to Budget	(Under-spend)/ Overspend
	£000
The Apex (see separate report)	153
Athenaeum, lettings & catering income underachieved	98
Highways payment to contractor	79
Industrial, commercial and shop rent income below budget	60
Car parking - non-domestic rates over budget	50
Waste and street scene services operational costs underspend	(165)
Investment Interest overachieved	(125)
Computer costs underspend	(96)
Heritage Services, salary savings and increased income	(83)
Western Way Depot rates refund	(77)
Other net variances (individually less than £40,000)	(32)
Total Net Variance	(138)

4.3.3 Most of the above variances are due to specific issues and factors arising during the 2011/12 financial year and corrective action was taken during the course of 2011/12 to address overspends where possible. Where variances are likely to impact on future years they have been taken into account in setting the 2012/13 budgets.

4.4 How services were paid for

4.4.1 The Council's net expenditure on services (i.e. after allowing for income from fees and charges and government departments) is funded by government grants (revenue support grant and redistribution of business rates), and the council tax, with the balance being transferred to the Council's General Fund Reserve. The level of funding from these sources during 2011/12 is shown in table 3 below.

Table 3 – How services were paid for

	Actual 2011/12	
	£000	£000
Net expenditure on services		12,091
Funded by:		
Council Tax	(6,731)	
Government Grant	(5,410)	
		(12,141)
Surplus transferred to General Fund		(50)

4.5 Capital Income and Expenditure

4.5.1 Capital income and expenditure includes transactions related to the following activities:

- buying or selling land or property
- building new property
- improving our existing properties
- providing grants to others for any of the above activities.

4.5.2 The Council has been committed to a significant (although now reducing) programme of investment in capital projects. The revised capital budget for 2011/12 was £6.16m. Actual capital spending during 2011/12 amounted to £3.923m (including £0.138m on the purchase of vehicles and plant which was not in the capital programme). This underspend was largely due to projects being delayed and the funding has been carried forward to 2012/13. Table 4 below shows the main items of capital expenditure and how these compared to the budgeted capital programme. It should be noted that the table does not include the complete spend on any one project, but rather the spend (and budgeted spend) during 2011/12. Therefore overspends and underspends on any individual project reflect only an overspend or underspend in the year, rather than on the project as a whole.

Table 4 – Capital Expenditure - Budgeted and actual expenditure

Capital Programme 2011/12	Actual	2011/12	
		Revised Budget	Variance (Under)/ Overspend
	£000	£000	£000
Improvement grants	710	839	(129)
Affordable Housing Schemes	50	91	(41)
Sustainable Development	451	559	(108)
Apex (Public Venue, Cattle Market)	400	314	86
Abbey Gardens play area	146	148	(2)
Bury Leisure Centre	14	313	(299)
Nowton Park visitor centre	476	404	72
Nowton Park car park	25	80	(55)
Growth Area Initiatives	88	1,139	(1,051)
Purchase 50% of Haverhill Offices	140	-	140
Major planned building maintenance	79	408	(329)
Environmental Enhancements	16	739	(723)
ARP IT set up costs	172	-	172
Loans funded from capital	870	750	120
Total of other schemes	148	376	(228)
Total capital programme	3,785	6,160	(2,375)
Purchase of vehicles and plant (using earmarked reserves)	138		
Total capital spending	3,923		

4.5.3 The capital expenditure was financed from usable capital receipts (£1.677m), revenue reserves (£0.408m) and grants and contributions (£1.838m).

4.5.4 Capital receipts arising from the Council's planned capital disposals programme for 2011/12 totalled £2.849m against budgeted disposals for the year of £2.190m, a surplus of £0.659m.

4.6 Reserves

4.6.1 The Council has a track record of sound financial management. An integral part of our financial strategy is to ensure that our usable reserves are maintained at a healthy level. We maintain a number of reserves, which are split into two main categories; revenue reserves (the General Fund and Earmarked reserves) and unallocated capital reserves (i.e. Capital Receipts Reserve and Capital Grants Unapplied Reserve). During 2011/12 the total value of the Council's usable revenue and capital reserves increased from £23.964m (at 1 April 2011) to £24.067m (at 31 March 2012), a net increase of £0.103m. Table 5 below provides details of the movement in the Council's usable reserves during 2011/12.

Table 5 – Usable reserves

Reserves	Balance at 1 April 2011	Balance at 31 March 2012	Movement Increase / (Decrease)
	£000	£000	£000
Revenue Reserves			
General Fund Reserve	3,318	3,368	50
Earmarked reserves	11,690	10,789	(901)
Total revenue reserves	15,008	14,157	(851)
Capital Reserves			
Capital Receipts Reserve	8,583	9,758	1,175
Capital Grants Unapplied Reserve	373	152	(221)
Total capital reserves	8,956	9,910	954
Total usable revenue and capital reserves	23,964	24,067	103

4.6.2 Revenue Reserves:

4.6.3 **General Fund Reserve** - provides the day-to-day cash flow cover for the Council and accommodates the inevitable mismatches that arise between cash inflows and outflows. The opening balance at 1 April 2011 was £3.318m and the closing balance at 31 March 2012 was £3.368m an increase of £0.050m.

4.6.4 The demand on reserves changes over time and it is appropriate to review allocations on an annual basis. The Council has previously determined that the level of the General Fund Reserve should not fall below £1.75m. As in previous years, the Council can use balances above this minimum to help support future expenditure on services and maintain sustainable levels of council tax at a time of severe budgetary constraint.

4.6.5 **Earmarked Reserves** - enable the Council to manage the funding of expenditure that may vary between financial years (e.g. the purchase of vehicles and plant) and to reduce risk by providing a degree of contingency funding where the future level of expenditure

may be uncertain (e.g. the Self Insurance Reserve). Earmarked reserves are also used to hold revenue funds that have been allocated for specific purposes when the year of expenditure may vary. The opening balance on earmarked reserves at 1 April 2011 was £11.690m. Net movements during the year resulted in a decrease in earmarked reserves of £0.901m leaving a closing balance on earmarked reserves of £10.789m.

- 4.6.6 The 2011/12 Budget and Council Tax Setting report provided information on indicative transfers to and between earmarked reserves, based on an estimated year end underspend of £0.194m. It was agreed to transfer this underspend in its entirety to the General Fund in order to support revenue expenditure and reduce the level of council tax. The Chief Finance Officer has delegated authority to make this transfer, in consultation with the Portfolio Holder for Performance and Resources. As reported above, the actual year end underspend was £0.138m, and following approval of the Statement of Accounts this balance will be transferred to the General Fund Reserve. The adequacy and appropriateness of individual earmarked reserves will continue to be monitored by the Chief Finance Officer in consultation with the Portfolio Holder for Performance and Resources, and any resulting transfers between reserves will be reported to the Performance and Audit Scrutiny Committee and Cabinet.

4.6.7 Capital Reserves

- 4.6.8 **Usable Capital Receipts Reserve** - capital receipts arise primarily from the disposal of Council assets and are used to help fund the Council's capital expenditure programme. Capital receipts cannot be used to help fund revenue expenditure, and therefore have to be accounted for separately from the General Fund reserve. The opening balance at 1 April 2011 was £8.583m and the closing balance at 31 March 2012 was £9.758m, a net increase in capital reserves during the period of £1.175m.

- 4.6.9 **Capital Grants Unapplied Reserve** - International Financial Reporting Standards require that where conditions attached to capital grants and contributions have been met, but the grant is unspent, then the balance of the grant should be held in a Capital Grants Unapplied reserve. The opening balance at 1 April 2011 was £0.373m and the closing balance at 31 March 2012 was £0.152m, a net reduction £0.221m.

4.7 Treasury Management

- 4.7.1 There has been no let up in the historically low interest rates which have significantly impacted the Council's investment income. Budgeted investment income for 2011/12 was £0.457m representing a target investment rate of 1.5%. Actual investment income achieved during the year was £0.582m, an overachievement in investment income of £0.125m. This was due primarily to higher than projected average cash holdings over the period arising from timing differences between planned and actual capital expenditure and receipts. The average rate of return achieved for the period was 1.48%.
- 4.7.2 Looking ahead to 2012/13, the outlook for the global economy remains uncertain and the current low interest rates are expected to continue for some time. In this challenging environment the Council will continue to give priority to the security and liquidity of investments whilst at the same time seeking to achieve value for money in treasury management. Our budgeted income from investments for 2012/13 is £0.569m (which is equivalent to £14.84 for each Council Tax Band D property). The target investment rate for the year remains unchanged at 1.5%.

4.8 Conclusion

- 4.8.1 St Edmundsbury, like almost every public and private sector organisation in the Country, continues to face significant financial challenges. Within this climate the Council has striven

drive out costs while continue to maintain services to the public. In view of the significant financial challenges presented by the 2010 Comprehensive Spending Review and the resulting reductions in Government grant funding, the budget underspend in 2011/12 was a positive result. Officers took action where possible to reduce expenditure during the year, in order to plan for future cuts. The challenge continues as service demand increases in many areas and projected Government funding levels continue to fall.

4.8.2 Members are asked to note the information contained within this report and forward any relevant issues or comments to Cabinet for consideration.

5. Other Options considered

5.1 Not applicable

6. Community Impact

6.1 **Crime and Disorder Impact** *(including Section 17 of the Crime and Disorder Act 1998)*
None

6.2 **Diversity and Equality Impact** *(including the findings of the Equality Impact Assessment)*
None

6.3 **Sustainability Impact** *(including completing a Sustainability Impact Assessment)*
None

7. Consultation *(refer to the Consultation and Community Engagement Strategy)*

7.1 Not applicable

8. Resource implications *(including asset management implications)*

8.1 The purpose of this report is to provide members with an overview of the Council's budget outturn and financial highlights for the 2011/12 financial year.

9. Risk/Opportunity Assessment *(potential hazards or opportunities affecting corporate, service or project objectives)*

9.1

Risk area	Inherent level of Risk (before controls)	Controls	Residual Risk (after controls)
	High/Medium/Low		High/Medium/Low
Revenue and capital budget management - failure to achieve projected income or expenditure exceeds approved budgets.	High	<ul style="list-style-type: none"> Budgets reflect economic situation facing the Council Clear responsibilities for budget monitoring and control Annual DRIVE efficiency programme used to deliver required budget savings Medium term financial planning to capture longer term budget implications 	Medium

10. Legal or policy implications

10.1 Local Government Finance Act 1992 – balanced budget requirement and adequacy of reserves

10.2 Local Government Act 1972 – requirement for the proper administration of financial affairs

Ward(s) affected	All
Background Papers	Budget and Council Tax: 2011/12 (Council 1 March 2011 - B468)

St Edmundsbury Borough Council

2011/12 Budget Monitoring Report - Net Expenditure



St Edmundsbury
BOROUGH COUNCIL

Period to: 31st March

	Budget Full Year 2011/12	Actual to date	Variance to date Over/ (Under)
	£000	£000	£000
Chief Executive & Corporate Management			
Customer Services	-	(17)	(17)
Chief Executive Officer	246	256	10
Corporate Directors	-	(6)	(6)
Communications	25	17	(8)
Strategy & Performance Unit	-	22	22
Corporate Review Programmes	28	25	(3)
Mayoralty	128	129	1
Human Resources	27	4	(23)
Legal & Democratic Services	1,073	1,056	(17)
Chief Finance Officer	2,348	2,079	(269)
Total Chief Executives	3,875	3,565	(310)
Community Directorate			
Emergency Planning	48	44	(4)
Health & Housing	2,013	1,961	(52)
Neighbourhood Management and Development	699	685	(14)
The Athenaeum	(3)	95	98
The Apex	583	738	155
Other Theatre & Public Entertainment	399	397	(2)
Leisure Services	4,156	4,039	(117)
Total Community	7,895	7,959	64
Economy & Environment Directorate			
Planning	1,390	1,419	29
Waste Management	2,758	2,593	(165)
Engineering	(1,778)	(1,627)	151
Economic Development	201	206	5
Property Services	(13)	(99)	(86)
Corporate Property	(2,099)	(1,925)	174
Total Environment	459	567	108
SEBC Total	12,229	12,091	(138)

Funded by (income):

	Income Budget to date £000	Actual to date £000	Variance to date (over)/ under £000
Use of General fund & service balances	(88)	(226)	(138)
Collection Fund Deficit	(42)	(42)	-
Grant Income			
Business Rate Income	(4,005)	(4,005)	-
Revenue Support Grant	(1,405)	(1,405)	-
Amount to be met from collection fund (council tax)	(6,692)	(6,692)	-