

Cheltenham Borough Council

Cabinet – 17 April 2012

Budget Monitoring Report 2011/12 – position as at February 2012

Accountable member	Councillor John Webster, Cabinet Member for Finance and Community Development
Accountable officer	Paul Jones, Head of Financial Services
Accountable scrutiny committee	All
Ward(s) affected	All
Key Decision	No
Executive summary	To update Members on the council's current financial position for 2011/12 based on the monitoring exercise at the end of February 2012. The report covers the council's revenue, capital, treasury management and the housing revenue account. The report identifies any known variations to the 2011/12 revised budget and a position statement on major schemes.
Recommendations	1. Note the contents of this report including the key projected variances to the revised 2011/12 budget and the projected total budget saving of £302,700.

Financial implications	As detailed throughout this report. Contact officer: Sarah Didcote, sarah.didcote@cheltenham.gov.uk, 01242 264125
Legal implications	None directly arising from this report. Contact officer: Peter Lewis, Peter.Lewis@teWKesbury.gov.uk, 01684 272695
HR implications (including learning and organisational development)	Directors and HR Advisors have worked together to ensure vacancies are managed effectively, via the vacancy authorisation process. Contact officer: Julie McCarthy, julie.mccarthy@cheltenham.gov.uk, 01242 264355
Key risks	As outlined in Appendix 1.
Corporate and community plan Implications	Key elements of the budget are aimed at delivering the corporate objectives within the Corporate Business Plan.
Environmental and climate change implications	None.

1. Background

- 1.1 This report provides the last monitoring position statement for the financial year 2011/12. The purpose of this report is to notify Members of the anticipated outturn position for 2011/12 including any known requests for budgets to be carried forward into 2012/13.
- 1.2 The budget monitoring report to the end of August 2012 projected an overspend for the year of £476,400. As a result of that projection, officers were instructed to reduce spend on supplies and services to essentials for the remainder of the financial year.
- 1.3 This measure enabled the council to address the potential in year budget deficit and deliver a revised balanced budget which does not require a contribution from general balances. It is pleasing to note that the anticipated outturn position will deliver a saving of £302,700 against this revised budget, equating to 2.1% of the 2011/12 net budget requirement of £14,077k.
- 1.4 A number of savings are the result of delays or slippage in carrying out particular tasks which are still necessary and will need to be completed in the 2012/13 financial year. Where this applies, requests for carry forwards are noted in this report.

2. Net revenue position

- 2.1 The table below summarises the net impact of the variances identified on the overall 2011/12 revised budget position.

Budget variances	(Overspend) / Underspend £	para. ref:
Commissioning		
Corporate Management	2,000	
Divisional Overheads	25,400	
Neighbourhood Management	10,400	
Farmers Market	1,200	
Equal Opportunity	2,200	
Community Pride	20,600	
Racial Equality Service Level Agreement	6,100	
Glos. Association for Voluntary & Community Action	20,000	
Resource Centre	(400)	
Community Development	7,100	
Elections & Electoral registration	(13,600)	
Youth Affairs	65,300	2.4
Democratic & Civic	22,400	
Total Commissioning	168,700	

Resources		
Internal Audit	(2,500)	
Human Resources	31,600	
Customer & Support Services	19,400	
Resources Directorate Management	6,900	
Housing benefits administration	900	
Revenues	13,900	
Discretionary rates relief	12,100	
Procurement services	800	
ICT Infrastructure and Telecommunications	82,800	2.5
ICT Services	6,100	
Financial Services	14,500	
Insurances	700	
Gloucestershire Airport	3,100	
Treasury Management	(7,300)	
Pensions back funding	(800)	
Property Services	16,000	
Municipal Offices	48,300	2.6
Depot	13,400	
Miscellaneous Properties	25,600	
Total Resources	285,500	
Business Change		
Government Connect	(1,200)	
Revenues & Benefits Sourcing Strategy	166,700	2.7
Organisational & Development Work	55,000	2.8
Waste Company	74,000	2.9
Working Flexibly	15,800	
Total Business Change	310,300	
Wellbeing & Culture		
Wellbeing & Culture Management	6,000	
Entertainments	43,100	2.10
Art Gallery & Museums / Tourist Information Centre	47,300	2.12
Everyman Theatre	(1,500)	
leisure@	5,900	

Healthy Lifestyles	2,700	
Sports & Play	4,700	
Cemetery and Crematorium	(28,800)	
Allotments	1,000	
Public Protection Division	(900)	
Pest and Pollution Control	2,900	
Licensing	21,200	
Abandoned cars	1,400	
Animal Welfare	7,400	
CCTV Cameras and Crime and Disorder	(1,400)	
Food Safety	2,600	
Contaminated Land	5,000	
Water Sampling	500	
Total Wellbeing & Culture	119,100	
Operations		
Environmental Maintenance Overheads	26,600	
Refuse Collection & Civic Amenity Site	1,600	
Street Cleaning	28,700	
Recycling Activities	(3,300)	
Building Cleaning	(500)	
Public Conveniences	21,700	
New Green Waste schemes	(51,700)	2.13
Housing Forecourts	700	
Parks & Gardens	5,300	
Non Principal Roads –Environmental Maintenance	12,800	
Sports & Open Spaces	20,000	
Nursery	(6,800)	
GCC Schools	16,600	
Green Environment overhead A/c	18,500	
Total Operations	90,200	

Built Environment		
Ex Community Services divisional overheads	12,000	
Homelessness	10,700	
Housing Grants	(1,000)	
Community Alarms	4,900	
Housing Standards	1,800	
Civic Pride	115,800	2.14
Off Street car parking	2,400	
Development Control	15,800	
Building Control	22,500	
Built Environment Overheads	106,200	
Cheltenham Environmental Fund	116,200	2.15
Cheltenham Strategy Partnership	8,900	
Strategic Planning	8,900	
Joint Core Strategy	(74,000)	2.16
Business & Economic Development	152,900	2.17
Total Built Environment	504,000	
Strategic Directors	16,000	
Sub total of net savings to Service Budgets	1,493,800	
Less: Vacancy management saving target	(69,700)	
Net increase / (decrease) in transfers from/to reserves	(168,700)	
Anticipated carry forward requests/slippage in schemes	(985,300)	
Net savings to Service Budgets	270,100	
Treasury Management –Interest surplus	32,600	3.7
Net projected budget saving 2011/12	302,700	

- 2.2 The table below provides a further initial breakdown of the projected net saving against revised budget to assist Members in the analysis of where the budget savings have occurred.

	(Overspend) / Underspend £
Net increase in employee costs	(19,600)
Net reduction in service costs / operational expenditure	412,800
Net shortfall in income	(123,100)
Treasury Management	32,600
Net projected budget saving 2011/12	302,700

Employee costs 2011/12

- 2.3 In putting together the revised budget for 2011/12 in November 2011 it was assumed that £69,650 of savings would be realised in the last 4 months of the financial year through vacancy management. There is a net shortfall in this target of £19,600, the detail of which is reported at service level throughout the report. This is after allowing for a saving of £16,400 as a result of non-payable strike action taken on 30th November 2011.

Commissioning

2.4 Youth Affairs

There is a projected underspend of £65,278 due to grant payments made to voluntary youth projects in 2011/12 having twelve months to spend their allocation. The balance remaining will therefore be requested to be carried forward into 2012/13.

Resources

2.5 ICT Infrastructure

There is an underspend against ICT Hardware of £79,600. This is due to a delay in the replacement of desktops during 2011/12 as a result of service resourcing issues. As these issues are resolved the rollout of replacements will recommence and thus the funding will be transferred to reserves at the year end, to support the programme of works in 2012/13.

2.6 Municipal Offices

Savings in staffing costs, utilities and lower maintenance costs have resulted in a significant underspend of £48,300 at the Municipal Offices. A carry forward request is not anticipated at present although should additional necessary works be identified imminently this may be proposed.

Business Change

2.7 Business Change – Revenue & Benefits Sourcing Strategy

The Revenues & Benefits Sourcing Strategy budgets of £166,700 has not been spent in 2011/12. A carry forward request will be made at the year end for this money to be used to continue to progress shared working arrangements for the Resources Directorate with other councils, including the potential for a shared ICT service.

2.8 Business Change – Organisation & Development Work

There is an underspend of £55,000, against the budget of £80,000 for the year. This funding was agreed by council to support the significant business change required in order to deliver some of the council's key projects including GO. Outstanding funding is allocated to supporting the use of Achieve Breakthrough within our new partnership arrangements; for interim procurement capacity; for support for the implementation of GO; for learning and development of staff in support of commissioning, and for external advice to the Leisure and Culture review. A request will be made at the year end for the underspend to be carried forward to complete the work streams in 2012/13.

2.9 Waste Company

There is an estimated £74,000 underspend in this budget at the year end. This budget is to fund the one-off set up costs of Ubico over the period 2011/12 and 2012/13 and a request will be made to carry forward this budget to fund the remaining set up costs of Ubico in 2012/13.

Wellbeing & Culture

2.10 Town Hall

The Town Hall budget is expected to be under spent by £24,500 for 2011/12. This is due to an increase in sales for promoted events and agency tickets during the final quarter of the financial year. Catering commission and Hall lettings are on target with the projected revised budgets.

2.11 Pittville Pump Rooms

The Pittville Pump Rooms is expected to be under spent by £18,500 against the 2011/12 revised budget. £10,800 of this is due to the prudent management of building maintenance costs and £7,700 is due to an increase of hired events and car park income during the final quarter of the year.

2.12 Art Gallery & Museums / Tourist Information Centre

There is an expected net saving of £47,300 in the Art Gallery & Museum and Tourism service, including a NNDR refund of £50,700 received in March 2012 following a revaluation of NNDR chargeable for the period 2005 to 2010. A request will be made at the year end to transfer this underspend into the Art Gallery & Museum development reserve, to fund expenditure on the development in 2012/13.

Operations

2.13 New Green Waste Schemes

This cost centre is anticipated to be £51,700 over spent. This is represented by an overspend of £23,300 on agency labour and an underspend of £15,500 on supplies and services. Incorporated in the revised net budgeted position for the introduction of the Garden Waste scheme is an assumed level of 11,500 sales that will occur this financial year end. The anticipated number of sales at the year end is 10,700. The shortfall in income of £45,600 for Garden Waste bins is offset by additional income of £1,700 for Garden Bags.

Built Environment

2.14 Civic Pride

Work by the Cheltenham Development Task Force on Civic Pride will progress rapidly in 2012/13 with the sale of car parks at North Place and Portland Street imminent. As a result, the remaining funding in 2011/12 will be retained in the Civic Pride Reserve for use in future years to fund projects for the regeneration of the town.

2.15 Cheltenham Environmental Fund

Funding was awarded from the New Homes Bonus in 2011/12 to create a fund to support small-scale environmental works to tackle environmental issues in packages costing around £15,000 or so a time. The funding was wholly allocated in 2011/12 and although work has commenced on a number of the schemes, the budgets will be carried forward to 2012/13 to fund the remaining expenditure.

2.16 Joint Core Strategy (JCS)

This budget head has been set up for the joint sharing of costs on JCS with Gloucester City Council and Tewkesbury Borough Council. A overspend of just under £74,000 is expected at outturn for 2011/12. The overspend can be accounted for by the additional work regarding several evidence based studies that have been undertaken with the local plans. All of this overspend will be met by the Joint Core Strategy Reserve, set up for this purpose.

2.17 Business & Economic Development

There is a projected net underspend of £152,800 for 2011/12 including £9,400 under spend of LABGI funding carried forward from 2010/11. This is to be requested to be carried forward into 2012/13 to fund Joint Core Strategy Economic work, along with a further £12,800 of other under spends within the cost centre. The Promoting Cheltenham Fund is under spent by £120,100 which will be requested to be carried forward into 2012/13. The successful grant applicants in late 2011 have a year to complete their projects and receive the grant payment. A further carry forward request of £5,700 is required to fund a Business Support project in 2012/13.

3. Treasury Management

Icelandic Banks

- 3.1** The council has outstanding loans with the Icelandic owned banks Glitnir, Landsbanki and Kaupthing, Singer & Freidlander (KSF).
- 3.2** Since the decision was made by the Icelandic Supreme that Local Authority wholesale depositors are considered preferential creditors, both the Landsbanki and Glitnir Winding up Boards have made repayments to the council, with further amounts expected in the future. On the 17th February 2012 the council received £1.508 million from Landsbanki as a first instalment, which was around 29% of the outstanding claim. A further 2% of the first instalment is being held in Icelandic Krona's (ISK) in an escrow account. No further information is known of when the next repayment is due, however the council is expecting a 98% return on the Landsbanki claims over the coming years.
- 3.3** On the 15th March 2012 the council received £2.633 million from the Winding Up Board of Glitnir. This equated to 81% of the overall claim. A remaining 19% of the is being held in Icelandic Krona's (ISK) in an escrow account. Again, the council is awaiting further information on the distribution of this amount.
- 3.4** There have been no further payments received on the deposits held with Kaupthing Singer & Friedlander since the last report in November 2011. To date we have received 63% back of the outstanding claim and further distributions will follow in the coming months. It is expected the council will receive 82% of the outstanding claim.
- 3.5** As explained in previous budget monitoring reports, the receipt from Glitnir will be used to repay the borrowing taken out when the original losses were capitalised, using the Capitalisation Direction received in 2009/10. This will reduce borrowing repayments (Minimum Revenue Provision) by £120,000 per annum from 2012/13. This has been built into the budget for that year.

- 3.6** The Landsbanki repayment received does not have any budget implications as the council had in this case already assumed priority status would be achieved, in line with the view taken by that bank's winding up board. For the 2010/11 accounts the council had assumed a recovery rate of 94.85% for these deposits, based on the best available information at the time. If 98% is ultimately received this would result in a further credit to revenue of £100-150,000. If used to repay the borrowing, this would reduce budgeted repayments by £5-7,000 per annum, from 2012/13.

Treasury Management Activity

- 3.7** There is a predicted surplus of interest of £28,631 to report on Treasury Management for 2011/12. The General Fund (GF) is £32,662 favourable against the 2011/12 revised budget while the Housing Revenue Account (HRA) is £4,031 adverse against the revised budget.
- 3.8** The council's borrowing costs are expected to be £11,490 lower than the revised budget as the Council's cash resources have improved in 2012 as some of the bank deposits held in Iceland were repaid in February and March 2012, so there has been a reduced borrowing requirement for cash flow purposes.
- 3.9** Lending interest is forecast to be favourable by £17,141. As mentioned in paragraph 3.8 cash resources have improved in 2012 which has assisted the Council in receiving more interest on its Business Call Account.
- 3.10** The Housing Revenue Account (HRA) is forecast to be adverse by £4,031 which will result in the General Fund (GF) receiving more in interest from the HRA for its share of the debt held by the Council. The weighted average rate of interest on all borrowing for 2011/12 was estimated to be 3.03% but is now forecast to be 3.24%.

4. Capital expenditure

- 4.1** Possible significant variances to the 2011/12 revised capital budgets and a position statement on major capital schemes are detailed below:

4.2 CCTV

External funding of £55,000 has been received in respect of 7 new CCTV cameras to be installed along the Honeybourne Line. £10,000 of the council's capital budget has also been allocated to this committed project and the total funds of £65,000 which will be carried forward at the year end.

There is an underspend of £39,900 in the council's remaining capital budget, including £26,700 committed towards the upgrade of the Town centre systems. This will be carried forward to continue the replacement / improvement programme in 2012/13.

4.3 CCTV –Car Parks

A budget of £130,000 has been allocated for CCTV in Car Parks in 2011/12. The scheme is for a parking management and software solution for the Regent Arcade. The system will become the platform for future upgrades including CCTV at car parks. This project is ongoing and the budget will be carried forward to be spent in 2012/13.

4.4 Art Gallery & Museum Redevelopment

The main contractors, ISG, commenced on site from 11 August 2011 and work is progressing well. The original contract period was for 60 weeks, with a hand-over date for the new extension / refurbished buildings on 4 October 2012 - however, there was an initial delay of two weeks during the ground work investigations and the potential for further delay during the construction of the

main concrete frame - and therefore, we are expecting the hand-over date to change to early December 2012. The building is expected to open from early summer 2013 with a popular family exhibition. Progress on the construction can be viewed on a daily basis via the Art Gallery & Museum Development webcam on [www.cheltenham.artgallery.museum - development](http://www.cheltenham.artgallery.museum-development) pages.

The Art Gallery & Museum is still seeking support for the Development fundraising programme - with the launch shortly, of an exciting public fundraising campaign (specifically on-line) - and the Art Gallery & Museum's Development Trust and the Friends of Cheltenham Art Gallery & Museum are pro-actively organising fundraising events throughout the year. The capital budget for this scheme will be carried forward at the year end to support the committed expenditure in 2012/13.

5. Programme maintenance expenditure

- 5.1** The majority of work planned for completion in 2011/12 remains scheduled. However, £75,900 allocated for Power Perfectors is yet to be spent. The Power Perfector at leisure @ has been relocated to the Town Hall in March for a trial period. This budget will be carried forward into 2012/13, to be spent in July 2012, assuming that the results of the trial are satisfactory.

6. Housing Revenue Account (HRA)

6.1 HRA income and expenditure

The HRA revised budget for 2011/12 estimated a deficit of £961,400 for the year resulting in a balance of £2,711,800 to be carried forward in revenue reserves at 31st March 2012.

The only significant variation identified to date is a reduction of £339,000 in the level of revenue contributions required to fund capital expenditure, following changes to the capital programme as detailed below

This will reduce the deficit for the year to £622,400 and increase revenue reserves held at 31st March 2012 to £3,050,800.

6.2 HRA Capital Programme

Capital expenditure for the year is now forecast at £4,650,000, a reduction of £339,000 compared to the revised estimate. This arises from estimated savings of £100,000 on water mains renewal and £179,000 on the transformational improvements at St Pauls. A further £60,000 will be carried forward into 2012/13 to complete the St Pauls project.

7. Council tax and Business rates collection

- 7.1** The monitoring report for the collection of council tax and business rates (NNDR) income is shown in Appendix 2. This shows the position at the end of February 2012 and the projected outturn for 2011/12.

Conclusion

- 7.2** The net effect on the general fund of the variances reported above is that there may be a net saving against the revised budget of £302,700 for 2011/12. It will be for Cabinet and Council to decide in June 2012, when outturn is finalised, how to apply this saving, bearing in mind the need to keep the level of reserves robust and the uncertainty surrounding possible future budget funding gaps.

7.3 The continued impact of the economic recession presents particular concerns for the council's budgets. It is clearly important to ensure that the 2012/13 budgets are closely monitored over the coming months with a view to taking action at a future date, if necessary, in order to ensure that the council delivers services within budget.

8. Consultation

8.1 The work undertaken to produce this report has involved consultation with a wide number of services and cost centre managers.

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Appendices	<ol style="list-style-type: none">1. Risk Assessment2. Council Tax and NNDR collection
Background information	<ol style="list-style-type: none">1. Section 25 Report – Council 10th February 20122. Final Budget Proposals for 2012/13 – Council 10th February 2012

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1.	Unable to take corrective action in respect of reduced income streams.	Cabinet	June 2010	3	3	9	Reduce	In preparing the revised budget for 2011/12, SLT to consider the options for offsetting reduced income streams by analysing and reducing the level of expenditure across the Council.	June 2012	SLT	Corporate Risk Register
2.	If the council continues with its zero recruitment policy, then capacity may be impacted adversely, plus morale and motivation of employees	Cabinet	October 2010	3	3	9	Reduce	Executive Board will monitor the process, via quarterly reviews.	March 2012	Executive Board	Corporate Risk Register