

Cheltenham Borough Council

Cabinet – 16th October 2012

Budget Monitoring Report 2012/13 – position as at August 2012

Accountable member	Councillor John Rawson, Cabinet Member for Finance
Accountable officer	Paul Jones, Head of Financial Services
Accountable scrutiny committee	All
Ward(s) affected	All
Key Decision	Yes
Executive summary	To update Members on the Council's current financial position for 2012/13 based on the monitoring exercise at the end of August 2012. The report covers the Council's revenue, capital, treasury management and the housing revenue account. The report identifies any known significant variations (minimum £50,000) to the 2012/13 original budget and areas with volatile income trends.
Recommendations	<ol style="list-style-type: none">1. Note the contents of this report including the key projected variances to the original 2012/13 budget identified at this stage and the potential projected overspend of £281,000 for the financial year 2012/13.2. Introduce a freeze on supplies and service expenditure budgets, where possible, until further notice, to be reflected in the revised 2012/13 budget.3. If, following the more detailed monitoring process currently being undertaken as part of the budget setting process for 2013/14, the potential overspend is confirmed, take corrective action to ensure that the Council delivers services within the overall net budget for the year.
Financial implications	As detailed throughout this report. Contact officer: Sarah Didcote, sarah.didcote@cheltenham.gov.uk, 01242 775154
Legal implications	None directly arising from the recommendations. The current legal position regarding Icelandic Banks is referred to in the report. Contact officer: Peter Lewis, Peter.Lewis@tewkesbury.gov.uk, 01684 272695

HR implications (including learning and organisational development)	<p>Service Managers and the HR Advisors are continuing to work together to ensure vacancies are managed effectively. A request to recruit to a new or vacant post must be approved by the divisional Director. The decision to approve or reject the recruitment request is based on the business case outlining the impact on the service delivery and/or loss of income generation if the post were to remain unoccupied.</p> <p>Contact officer: Julie McCarthy , julie.mccarthy @cheltenham.gov.uk, 01242 264355</p>
Key risks	<p>As outlined in Appendix 1.</p>
Corporate and community plan Implications	<p>Key elements of the budget are aimed at delivering the corporate objectives within the Corporate Business Plan.</p>
Environmental and climate change implications	<p>None.</p>

1. Background

- 1.1 This report provides the second monitoring position statement for the financial year 2012/13. The purpose of this report is to notify members of any known significant variations to budgets for 2012/13 and highlight any key issues, allowing Members to take action if required.
- 1.2 Financial Services carry out a regular budget monitoring exercise for services in liaison with Directors and cost centre managers. This identifies any major variations from the current approved budget that are anticipated to occur in the financial year. The current approved budget is the original budget 2012/13 agreed by Council on the 10th February 2012, subject to any amendments made under delegated powers (for example supplementary estimates, virement, etc). Possible significant variations to revenue budgets are outlined in this report.
- 1.3 There is currently a freeze on spending against supplies and services budgets, where possible. This freeze should continue until further notice and any savings generated be incorporated into the 2012/13 revised budget, to partially offset the potential overspend detailed in table 2.1 below.

2. Net revenue position

- 2.1 The table below summarises the net impact of the variances identified at this stage in the financial year, projecting the position to the end of the financial year for all budget variances in excess of £50,000 and areas with volatile income trends, details of which are provided in paragraphs 2.2 to 3.2. A more detailed exercise will be undertaken as part of the revised budget cycle 2012/13 and reported in the next budget monitoring report in November 2012.

Significant budget variances	Overspend / (Underspend) £	para. ref:
Employee costs		
Shortfall in salary savings target	13,000	2.2
Built Environment		
Off Street car parking and fines– shortfall of income	128,000	2.5
Building Control – shortfall of income	50,000	2.6
Commissioning		
Residual Waste Collection – additional expenditure	30,000	2.9
Recycling Collection Schemes – net additional expenditure	50,000	2.10
Trade Refuse Collection – shortfall in income	50,000	2.11
Treasury		
Interest – net surplus General Fund	(40,000)	3.2
Total projected overspend	281,000	

2.2 Savings from employee costs

The 2012/13 original budget included a target of £480,000 from salary savings to be made throughout the council from vacant posts arising during the year. An assessment of the salary savings made in each Directorate over the last three years has been undertaken. This identified an average annual contribution to the savings target of £60,000 for service areas now forming part of Ubico. This target saving will be transferred from the general fund budget to Ubico as part of revised 2012/13 budgets.

- 2.3** An initial assessment of vacant posts (i.e. staff turnover) and restructures in the first five months of the year indicates that there is likely to be an overspend of £13,000 against the Cheltenham Borough Council general fund reduced annual budget target of £420,000.
- 2.4** An initial assessment of vacant posts (i.e. staff turnover) in the first five months of the year indicates that there is likely to be an overspend of £18,000 against the Ubico annual budget target of £60,000. However, this is as a result of seasonal trends in the employment of agency labour over the summer months and it is likely that this target will be achieved by the year end.

Off-street Car Parking Income

- 2.5** The income position for off-street car parking to the end of August is falling short of target by around £45k, which equates to around 2.9% of the target. A corresponding shortfall in fine income is also being generated, with income being around £8k down against target. Should these trends continue as currently anticipated, car parking income is likely to be £108,000 short of target, and fine income down by around £20,000. This will leave a total forecasted shortfall against income targets of around £128,000. Future budget monitoring reports will provide updated positions with a greater degree of accuracy.

Building Control fees

- 2.6** The joint Building Control Service for Cheltenham and Tewkesbury has had another hard year caused by the general decline in the economy and also the weakness of the construction industry. The team has worked hard to attract work within the competitive environment in which they operate and have had some successes but until the economy revives it is unlikely that income will be substantially increased.
- 2.7** The budgeted income for Cheltenham Borough Council Building Control is £388,800 in 2012/13 and it seems unlikely that this target will be achieved. Some income is expected from new developments such as the works at North Place but these can not be guaranteed at this time.
- 2.8** Currently income of £168,868 has been achieved for the Cheltenham area. If income stays at the same rate for the remainder of 2012/13, there is likely to be about £45,000 - £50,000 shortfall against target at the year end. This budget will need to be reviewed as part of the 2013/14 budget setting process. As a result of the restructure process undertaken in April a small salary saving of £23,000 has been made and this may be used to help offset any potential budget shortfall.

Commissioning - Ubico

2.9 Residual Waste Collection

This cost centre is overspent by £30,000 due to additional employee and transport costs arising from the amount of side waste which is being generated and collected. The council is rolling out revised procedures for the enforcement of side waste and closed bins which will aim to reduce the amount of waste which is being sent to landfill. A variation order will need to be agreed between Ubico and the Council.

2.10 Recycling Collection Schemes

This cost centre is overspent by £65,000 as a result of an additional collection round being operated following an increase in volume of recyclate. This increase has been on-going from the 2011/12 revised budget following the introduction of the fortnightly residual collection service. A review of service delivery is planned which should help alleviate this overspend in the second half year and a variation order will need to be agreed. This is offset by an increase in income for recyclate and recycling credits within the commissioning budgets of £15,000. The net overspend is therefore expected to be £50,000 for 2012/13.

2.11 Trade Refuse Collection

There is an expected shortfall in trade refuse collection income of £50,000 for 2012/13 as a result of the loss of a trade contract with effect from September 2012. This loss of income is not expected to be recovered in 2012/13.

3. Treasury Management

3.1 Icelandic Banks

Members will be aware that the Council has outstanding loans with the Icelandic owned banks Glitnir, Landsbanki and Kaupthing, Singer & Freidlander (KSF). Since the decision was made by the Icelandic Supreme Court 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.

Details of amounts recovered in 2012/13 to date, together with an explanation of their accounting treatment, were provided in the Financial Outturn 2011/12 and Budget Monitoring to May 2012 report to Council on 19th June 2012. There are no further developments to report since this date. Full details of the history and current expected recovery of these outstanding loans is also included in the 2011/12 Statement of Accounts.

3.2 Treasury Management Activity

There is a predicted surplus of interest of £40,000 to report on Treasury Management within the general fund for 2012/13. Lending interest is forecast to be around £10,000 better off compared to the original budget due to holding higher balances on the Council's Call Accounts than forecast in late 2011, and also being able to lend for longer periods. Temporary borrowing interest is predicted to be around £30,000 lower than predicted for the 2011/12 original budget. It has been the strategy of the treasury team to repay temporary debt with maturing investments and this has reduced the need to borrow on a daily cash flow basis.

4. Capital expenditure

4.1 There are no significant variances to the 2012/13 original capital budgets at this time. A detailed exercise will be carried out as part of revised 2012/13 budgets to ensure that these schemes are being delivered as planned within the allocated capital budgets.

5. Programme maintenance expenditure

5.1 All the work that has been planned for completion in 2012/13 remains as scheduled. However, a detailed exercise will be undertaken in putting together the revised budgets to ensure that the priorities in place remain appropriate.

6. Housing Revenue Account (HRA)

6.1 HRA Capital Programme

The HRA budget for 2012/13, approved in February 2012, estimated a surplus of £1,346,600 for the year which, after debt repayment of £1,392,000, would result in a balance of £2,666,400 to be carried forward in revenue reserves at 31st March 2013.

6.2 Currently identified variations to the budget are as follows:-

The outturn position for 2011/12 showed an increased level of reserve at 31st March 2012 of £3,096,500 (previously estimated at £2,711,800).

The current forecast for capital expenditure is now £5,329,000 compared to the original estimate of £5,192,000. This reflects both the approval of an additional £300,000 for a pilot scheme installing photovoltaic panels and a delay in the replacement of alarm call systems in sheltered schemes whilst further option appraisal work is undertaken.

6.3 The net impact of these variations will be to reduce the forecast surplus to £1,209,600 but leave an enhanced balance of £2,914,100 in reserve at 31st March 2013.

6.4 No other significant variations have been identified at this time.

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 August 2012 and the projected outturn for 2012/13.

8. Sundry debt collection

8.1 The monitoring of the collection of sundry debts is ongoing and there are no significant matters to report. A detailed monitoring report for the collection of sundry debt income will be provided in the next budget monitoring report, for the position to the end of November 2012.

9. Section 151 Officer advice

9.1 The council has a sound track record for delivering services within budget. Members will recall that the budget monitoring position to the end of August 2011 projected an overspend for the year of £476,400. Measures were put in place which enabled the council to address the potential in year budget deficit and delivered services within the resources available resulting in a budget saving of £149,777 in 2011/12.

9.2 The monitoring report is clearly an estimated position and there are many variables which may result in a more favourable outturn for the year than currently predicted. The position is not unexpected given the impact of the current economic climate on investment interest and car parking income.

9.3 As a precautionary measure, it is recommended that service managers look to mitigate this projection by freezing expenditure on external supplies and services expenditure budgets, where possible, until further notice, to be reflected in the revised 2012/13 budget.

10. Conclusion

- 10.1** This report summarises the results of a broad monitoring exercise at an early stage in the year which reports a position which may result in the identification of further projected net variances identified during the more detailed budget monitoring exercise referred to above.
- 10.2** The continued impact of the economic recession present particular concerns for the council's budgets. It is clearly important to ensure that budgets are more 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.

11. Consultation

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

Report author	Contact officer: Paul Jones paul.jones@cheltenham.gov.uk, 01242 775154
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	6	18	Reduce	In preparing the revised budget for 2012/13, SLT to consider the options for offsetting reduced income streams by analysing and reducing the level of expenditure across the Council.	December 2012	SLT	Corporate Risk Register
2.	Requirement to fund projected overspend from General Balances would result in General Balances falling below the minimum range of £1.5m to £2m set by the Chief Finance Officer.	Cabinet	June 2010	3	6	18	Reduce	In preparing the revised budget for 2012/13, an exercise to realign earmarked reserves will be undertaken in order to strengthen the level of General Balances.	December 2012	Chief Finance Officer	Corporate Risk Register

Guidance

Types of risks could include the following:

- Potential reputation risks from the decision in terms of bad publicity, impact on the community or on partners;
- Financial risks associated with the decision;
- Political risks that the decision might not have cross-party support;
- Environmental risks associated with the decision;
- Potential adverse equality impacts from the decision;
- Capacity risks in terms of the ability of the organisation to ensure the effective delivery of the decision
- Legal risks arising from the decision

Remember to highlight risks which may impact on the strategy and actions which are being followed to deliver the objectives, so that members can identify the need to review objectives, options and decisions on a timely basis should these risks arise.

Risk ref

If the risk is already recorded, note either the corporate risk register or TEN reference

Risk Description

Please use “If xx happens then xx will be the consequence” (cause and effect). For example “If the council’s business continuity planning does not deliver effective responses to the predicted flu pandemic then council services will be significantly impacted.”

Risk owner

Please identify the lead officer who has identified the risk and will be responsible for it.

Risk score

Impact on a scale from 1 to 4 multiplied by likelihood on a scale from 1 to 6. Please see risk [scorecard](#) for more information on how to score a risk

Control

Either: Reduce / Accept / Transfer to 3rd party / Close

Action

There are usually things the council can do to reduce either the likelihood or impact of the risk. Controls may already be in place, such as budget monitoring or new controls or actions may also be needed.

Responsible officer

Please identify the lead officer who will be responsible for the action to control the risk.

For further guidance, please refer to the [risk management policy](#)

Transferred to risk register

Please ensure that the risk is transferred to a live risk register. This could be a team, divisional or corporate risk register depending on the nature of the risk and what level of objective it is impacting on