

Report

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Report to:	Executive Committee
Date of Meeting:	6 July 2011
Report by:	Chief Executive

Subject:	Revenue Budget Monitoring Final Outturn 2010/2011
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ advise of the level of accumulated funds of the Council as at 31 March 2011 as detailed in Section 4 of this report
- ◆ advise on the position for the year on the Housing Revenue Account (HRA), the General Fund and the revenue budget performance of each Resource as detailed in sections 5 and 6 and in Appendix 1 of the report.

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the position of the General Fund and HRA be noted; and
- (2) that the proposed allocations to Reserves, as detailed in section 6.4.7 of the report be approved.

3. Background

- 3.1. Under existing regulations, the Council's financial accounts and annual report for the year ended 31 March 2011 require to be submitted for audit by 30 June. Work is ongoing in relation to the formal documentation in respect of meeting this deadline. The full accounts and annual report will be submitted to a further meeting of the Executive Committee.
- 3.2. The Council's revenue position for 2010/11 has turned out positively, with all Resources showing minor underspend positions at the year end. Mindful of the current financial climate and the outlook for local authority finance, it is proposed that money be allocated to reserves at the year end. Allocating funds to Reserves will allow the Council to meet commitments, ensure flexibility and increase the unallocated General Fund balance as protection against future, unforeseen events. Given the extent of current and future commitments, continuous and effective control will be exercised over capital and revenue budgets. Monitoring arrangements are continually being updated to achieve this.

4. Accumulated Fund as at 31 March 2011

4.1. General Fund

The General Fund shows a surplus for the year of £2.000 million. Adding this to the surplus which was brought forward from 2009/10 (£6.476 million) results in an accumulated surplus of £8.476 million.

4.2. Housing Revenue Account

The Housing Revenue Account is held separately from the General Fund. This account shows a surplus for the year of £3.742 million. The surplus is the result of the severe weather encountered this year and its impact on the repair service in particular. Additional revenue contributions were used to fund the Housing Investment Programme as shown in the Capital Financing Costs line below. The surplus, when added to the amount brought forward from 2009/2010, gives an accumulated surplus of £4.955 million to be carried forward and used to meet future years' business plan commitments.

5. **Housing Revenue Account Performance**

5.1. The Housing Revenue Account is summarised as follows:

	Budget £m	Actual £m	Variance £m	
INCOME				
House Rents	70.770	71.584	0.814	Additional income
Other Rents	3.059	2.436	(0.623)	Reduced Income
Housing Support Grant (Hostel)	1.366	1.396	0.030	Additional income
Other Income	0.000	0.047	0.047	Additional income
Total Income	75.195	75.463	0.268	Additional income
EXPENDITURE				
Repairs and Maintenance	24.038	20.635	3.403	Underspend
Supervision and Management	22.376	20.731	1.645	Underspend
Cost of Voids	1.472	1.614	(0.142)	Extra cost
Other Expenditure	4.825	4.103	0.722	Underspend
Capital Financing Costs	21.785	23.966	(2.181)	Extra cost
Bad/Doubtful Debts	0.887	0.672	0.215	Underspend
Total Expenditure	75.383	71.721	3.662	Underspend
(Deficit) / Surplus for Year	(0.188)	3.742	3.930	Underspend
Add:				
Surplus Brought Forward	1.213	1.213	0.000	
Housing Revenue Account Surplus Carried Forward	1.025	4.955	3.930	

6. **General Fund Revenue Budget Performance**

6.1. The Committee is asked to consider the service outturn compared with budgets, and the uses to which accumulated funds will be directed.

6.2. Service results are listed in Appendix 1. The controllable elements of each budget are separated from items which services are not considered to be directly responsible for, such as central support costs and financing charges. In addition, year-end entries reflecting management obligations and commitments incurred during the year have also been included.

6.3. Taking the above into consideration, the General Fund Revenue Account is summarised as follows:

	Budget £m	Actual £m	Variance £m	
INCOME				
General Revenue Grant / Non Domestic Rates	578.540	578.250	0.290	Extra cost
Council Tax	125.499	127.017	1.518	Saving
Community Charge (Poll Tax)	0.000	0.059	0.059	Saving
Total Income	704.039	705.326	1.287	Saving
EXPENDITURE				
Total Controllable Expenditure of Front Line Services	612.277	613.730	(1.453)	Extra cost
Total Central Support / Financing Charges	95.971	81.712	14.259	Saving
Total of All Resource Spending	708.248	695.442	12.806	Saving
Adjust for:				
Capital from Current Revenue	5.944	5.379	0.565	Saving
Use of Reserve Funds, being (From) / To Reserves	(1.447)	11.916	(13.363)	Extra cost
Trading Services Surplus	(8.706)	(9.411)	0.705	Saving
Sub Total : Expenditure	704.039	703.326	0.713	Saving
Surplus for Year (Income less Expenditure)	0.000	2.000	2.000	Saving
Add: Surplus Brought Forward	0.000	6.476	6.476	Saving
General Fund Surplus Carried Forward	0.000	8.476	8.476	Saving

6.4. Each line in the above table is explained as follows:

6.4.1. General Revenue Grant / Non Domestic Rates

This represents the amount of support from central government sources. The under recovery relates to the discretionary element of Non Domestic Rates funded by the Council (£0.290 million).

6.4.2. Council Tax

The income from Council Tax is higher than anticipated due to the number of properties being added to the valuation roll being higher than originally anticipated. There is also additional unbudgeted Council Tax income received as a result of the reduction in discount applied to Second Homes. Additional expenditure on Social Housing has been incurred, funded by this income.

6.4.3. Community Charge

Although outstanding debt had previously been fully provided for, the Council has continued to collect community charge income.

6.4.4. Total Controllable Expenditure of Front Line Services

This is the total of expenditure for which Resources are directly responsible. This item shows an outturn of £613.730 million. An analysis of the variances across each service is shown in Appendix 1. The overall variance from budget represents 0.2% and is offset by an over-recovery of income in the Trading Operations (refer 6.5.8.).

6.4.5. Total Central Support / Financing Charges

In the published accounts, central services spending is allocated over all other services, but it is shown separately at this stage for monitoring purposes. The outturn shows £81.712 million including financing charges and these figures are

expanded in Appendix 1. The underspend in Financing Charges is mainly due to savings in year as a result of changes in the borrowing strategy. In addition, this budget held monies in respect of the 2010/11 pay award allocation and a 2010/11 utilities budget allocation which were not required.

6.4.6. Capital from Current Revenue (CFCR)

To complete the planned funding for the General Fund Capital Programme, the base CFCR budget was augmented by additional contributions from Resources' revenue accounts throughout the year. Progress on the capital programme was reported regularly throughout 2010/2011.

6.4.7. Use of Reserve Funds

A probable outturn position was reported to the Executive Committee on 26 January 2011. This included proposed transfers to reserves of £11.553 million being allocated to the Winter Maintenance Fund (£2.000 million), the Insurance Fund (£3.175 million), the Capital Fund (£4.378million) and Repairs and Renewals Fund (£2.000 million).

As a result of the final outturn position, a further transfer to Reserves of £3.985 million is proposed. It is proposed that £1.000 million be allocated to the Winter Maintenance Fund to build up the Fund in an attempt to counter the effect of the impact of future adverse weather conditions on the Council's budgets. In addition, a contribution to the Council's Information Technology Fund is proposed to enable continued investment in IT Infrastructure and thereby support efficiencies (£1.000m). Finally, it is proposed that the balance (£1.985 million) be allocated to the Council's Repairs and Renewals Fund to be used on road reconstruction to repair damage caused by the severe winter.

The total proposed contribution to Reserves is therefore £15.538 million and is analysed as follows:

Reserve	Amount £m
Repairs and Renewals	3.985
Information Technology Development Fund	1.000
Capital Fund	4.378
Winter Maintenance Fund	3.000
Insurance Fund	3.175
Total	<u>15.538</u>

The actual movement in Reserves is therefore:

	£m
Appropriations	15.538
Less Reserves Used	<u>(3.622)</u>
= Movement	<u>11.916</u>

6.4.8. Trading Operations

The Council currently operates five Trading Operations and Appendix 2 outlines the final position for each of them. All Trading Operations have achieved a surplus position at the end of the financial year and in total terms. The results of the Trading Operations are summarised in a separate statement in the Council's published accounts.

6.4.9. Surplus for the Year

In summary, the surplus of £2.000 million remains after making appropriations to Reserves from a combination of lower than anticipated loan charges and additional Council Tax income. This will be added to the balance brought forward from previous years to enhance the Council's General Fund surplus which is held as a hedge against future unforeseen events and represents 1.18% of the overall budget for the new financial year (2011/12).

The Council's financial strategy proposed an increase in the unallocated General Fund balance to a range between £7.5 million and £10 million in the period to 2014, if circumstances allowed. This contribution enables a significant step to be taken towards this aim, minimising the burden on future years.

6.4.10. Surplus Brought Forward

The surplus at the end of the previous financial year (2009/2010) was £6.476 million.

6.4.11. Surplus Carried Forward

Taking into account the position on the 2010/2011 Revenue Account, a General Fund surplus of £8.476 million will be carried forward to 2011/2012.

7. Employee Implications

7.1. None

8. Financial Implications

8.1. As outlined in the report.

9. Other Implications

9.1. The main risk associated with the Council's Revenue Budget is a significant overspend. The risk has been assessed as low given the detailed budget management applied across the Resources. The 2010/11 financial ledger is now closed and the outturn for the year is as detailed in the report.

10. Equality Impact Assessment and Consultation Arrangements

10.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and therefore no impact assessment is required.

10.2. There is also no requirement to undertake any consultation in terms of the information contained in this report.

Archibald Strang
Chief Executive

8 June 2011

Link(s) to Council Values/Improvement Themes/Objectives

- ◆ *Value:* Accountable, Effective and Efficient

Previous References

- ◆ None

List of Background Papers

- ◆ Financial ledger and 2010/2011
- ◆ Accounts Working Papers 2010/2011

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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South Lanarkshire Council – Revenue Account Results for Financial Year 2010/2011

<u>Controllable Resources Expenditure</u>	Budget £m	Actual £m	Variance £m		Note
Resource / Service					
Community Resources	65.117	65.890	(0.773)	Extra cost	
Land Services	37.545	37.939	(0.394)	Extra cost	1
Facilities and Cultural	9.817	9.234	0.583	Saving	2
Environmental and Strategic Services	5.215	5.312	(0.097)	Extra cost	3
Support Services	(4.575)	(3.678)	(0.897)	Extra cost	4
Leisure	16.633	16.627	0.006	Saving	
Projects	0.482	0.456	0.026	Saving	
Corporate Resources	10.871	10.711	0.160	Saving	5
Education Resources	288.619	288.615	0.004	Saving	
Enterprise Resources	49.575	49.721	(0.146)	Extra cost	
Planning and Building Standards	2.210	2.469	(0.259)	Extra cost	6
Estates	(1.250)	(0.940)	(0.310)	Extra cost	7
Regeneration	4.956	4.795	0.161	Saving	8
Roads	38.588	38.327	0.261	Saving	9
Fairer Scotland Fund	5.071	5.070	0.001	Saving	
Finance and IT Resources	0.875	0.875	0.000		
IT Customer Services Centre and National Infrastructure	0.875	0.875	0.000		
Housing and Technical Resources	18.359	19.033	(0.674)	Extra cost	
Area Services	6.605	6.543	0.062	Saving	10
Property Services	1.017	1.759	(0.742)	Extra cost	11
Finance, Benefits, and Revenues	10.737	10.731	0.006	Saving	
Social Work Resources	140.084	140.075	0.009	<i>Saving</i>	
Performance and Support Services	12.944	13.202	(0.258)	Extra cost	12
Children and Families	24.472	24.595	(0.123)	Extra cost	13
Adults	37.776	38.387	(0.611)	Extra cost	14
Older People	63.946	62.985	0.961	Saving	15
Justice and Substance Misuse	0.946	0.906	0.040	Saving	
Joint Boards	38.777	38.810	(0.033)	Extra cost	
Total Controllable Expenditure of Direct Services	612.277	613.730	(1.453)	Extra cost	
<u>Central Support Costs / Financing Charges</u>					
Corporate Resources Support	3.802	3.947	(0.145)	Extra cost	16
Finance & IT Resources	13.570	13.440	0.130	Saving	
Finance	4.433	4.440	(0.007)	Extra cost	
Information Technology Services	7.450	7.437	0.013	Saving	
Procurement	1.687	1.563	0.124	Saving	17
Housing and Technical Resources	9.534	8.753	0.781	Saving	
Property Services	10.966	10.312	0.654	Saving	18
Revenue Services	1.184	1.313	(0.129)	Extra cost	19
Finance Support	(2.616)	(2.872)	0.256	Saving	20
Recharge to HRA	(3.216)	(3.176)	(0.040)	Extra cost	
Finance Charges	72.281	58.748	13.533	Saving	21
Total Central Support / Financing Charges	95.971	81.712	14.259	Saving	
Total of All Resource Spending	708.248	695.442	12.806	Saving	

**2010-2011 Revenue Outturn
Notes to Appendix 1**

Note 1	The net overspend is due to greater than anticipated expenditure on overtime, fuel costs, domestic waste and an increased allocation of internal management support recharges.
Note 2	The underspend is due to vacancies, less than anticipated expenditure on internal management support recharges, advertising, postage and other administration costs.
Note 3	The overspend is due to greater than anticipated expenditure on management restructuring, equipment and also payments to contractors in respect of dog wardens and pest control.
Note 4	The overspend is due to an under recovery of income from internal management support.
Note 5	The underspend is due to changes in training service delivery. Budgets are being centralised to generate future savings. The underspend is partially offset by severance costs.
Note 6	The overspend is mainly due to a reduction in the number of planning & building warrant applications as a result of the economic downturn. In addition, there were higher than anticipated IT costs as a result of the development of the Electronic Document Records Management System and unbudgeted legal costs arising from planning decisions.
Note 7	The overspend is mainly due to reduced rental property income as a result of the economic downturn.
Note 8	The underspend is partly due to reduced employee costs as a result of vacancies arising in 2010/11 which have subsequently been offered as savings in 2011/12. There is also higher than anticipated European funding for the Lanarkshire Sustainable Business Programme.
Note 9	The underspend is partly due to additional income for rechargeable works. Payment to contractors is underspent as a result of routine maintenance works not being carried out due to resources redirected to complete winter repair works.
Note 10	This underspend is partly due to the current level of vacancies within the service.
Note 11	This overspend is due to a revision to the internal support model which is offset by an underspend in Property Services Support (note 18).
Note 12	The overspend is the result of additional expenditure on reactive repairs, non-recurring IT costs and the implementation of lone working arrangements.
Note 13	The overspend is the result of demand for residential schools and external placements.
Note 14	The overspend relates mainly to the demand for home support services and also the under recovery of income from service users for accessing supported living services.
Note 15	The underspend is due to the net cost of care home placements being less than anticipated and an over recovery of income as a result of the accounting treatment for the charge for certain residential and nursing care costs.
Note 16	The overspend is due to legal and management restructuring costs.
Note 17	The underspend is due to vacancies across the service.
Note 18	This underspend is due to a revision to the internal support model which is offset by an overspend in Property Services Non Support (note 11).
Note 19	This overspend is due to additional employee costs associated with the delayed implementation of the Cashiers Review.
Note 20	This underspend relates mainly to budgets for Computer Equipment Purchase and Printing and Stationery. This is in line with measures taken to reduce

	expenditure in this area.
Note 21	The underspend in Financing Charges is mainly due to savings in year as a result of changes in the borrowing strategy, the element of the 2010/11 pay award budget allocation which was not required and the 2010/11 utilities budget allocation which was not required.

South Lanarkshire Council
 Revenue Budget Monitoring Report
 Period Ended 31 March 2011
 Trading Services

	2010/11 Budget Surplus	Actual Surplus at 31/03/11	Increase / (Decrease) on Budget
	£m	£m	£m
Facilities Management	(0.693)	(0.839)	0.146
Fleet Services	(0.284)	(0.531)	0.247
Grounds Maintenance	(0.889)	(1.296)	0.407
Roads	(1.643)	(1.798)	0.155
Building Maintenance	(5.197)	(4.947)	(0.250)
TOTAL	(8.706)	(9.411)	0.705