
BUDGET MONITORING REPORT 2013/14

To: **Cabinet – 01 August 2013**

Main Portfolio Area: **Financial Services**

By: **Financial Services Manager**

Classification: **Unrestricted**

Ward: **All**

Summary: **To inform Cabinet of the latest budget monitoring position against the General Fund, Housing Revenue Account and capital programme for 2013/14; and of proposed improvements to the monitoring of debt.**

For Decision

1.0 Introduction

- 1.1 This report enables Cabinet to take an informed view of the likely financial impact of the current restriction on non-essential spending on the projected out-turn for the General Fund, as well as the likely outturn on the Housing Revenue Account and capital programme for 2013/14. The report summarises the main issues, with the detail being provided in the annexes.
- 1.2 In addition the report recommends a tightening up of the procedures for monitoring and reporting of debt.

2.0 Summary Outturn Position for the General Fund 2013/14

- 2.1 At the time of writing this report budget monitoring had not been undertaken for the first quarter to 30 June of the financial year 2013/14, however, a review has been undertaken of the impact of the current restriction on non-essential spending. A more detailed budget monitoring report will be brought to Cabinet in September covering the period to the end of July 2013.
- 2.2 Following Transeuropa ceasing operations, an exercise has been undertaken to assess the impact of the loss of the Transeuropa income and to review the running costs of the Port and Harbour. After terminating contracts wherever possible and cutting back on running costs, the Council is left with circa £836k worth of savings being required to balance the 2013/14 monitoring position. This assumes that there will be no other major variations in income or expenditure for the remainder of the year.
- 2.3 In order to close the above gap, a restriction has been imposed on non-essential spending. Wherever possible, managers have been tasked with reducing day-to-day spending or delaying spend. This restriction has now been in place for a month and so Financial Services have reviewed the impact on the potential outturn position to date. Obviously it is too early in the financial year to predict with any certainty whether this will have the desired impact, but based on last month's data, if Managers were to continue to spend in a prudent way and there were to be no major deviations from fee income or unforeseen expenditure,

the Council will be able to cover the projected deficit. The current projection will be carefully monitored over the coming months and corrective action will be taken if necessary to bring the budget back to a balanced budget position.

- 2.4 More detailed monitoring will be undertaken with Managers moving forward and any variations from this position reported at the earliest opportunity to allow for remedy.

3.0 Housing Revenue Account

- 3.1 The HRA has no major variances to report at this stage from the budget agreed at Full Council, with the exception of the request to utilise £100k of HRA balances as per paragraph 4.5 below in respect of a revenue contribution for the buy back scheme. In addition, there has been slippage against the 2012/13 Margate Intervention and Ramsgate Empty Homes programme for which a revenue contribution of £1.8m was approved. This revenue contribution will now slip to 2013/14. As a result of the above, the revenue contribution to the capital programme now shows a £1.9m variance. A detailed breakdown is shown at **Annex 2**.

4.0 Capital Programme

- 4.1 Currently there is concern that the capital receipts from asset disposals will not be achievable: the receipt from Albion House sale was not received during 2012/13 as budgeted and it is unlikely that the receipt from Staffordshire Street Car Park will now be achieved during this financial year. As a result of this it is projected that there could be a substantial shortfall in capital receipts of approximately £900k. Following on from the closedown process, the slippage in relation to 2012/13 is now being reviewed alongside the 2013/14 programme. A revised capital programme will be brought back for Member approval to agree a balanced capital programme in September.
- 4.2 Changes from the approved programme include the removal of the Coastal Communities funding for the Sunshine Café as the council was unsuccessful in its recent bid. The disabled facilities grants funded from the Department of Communities and Local Government has been adjusted to match the final award figure. Further funding has been identified for the shortfall required to complete the skate park project. This is made up of £24k section 106 monies (this has come from Youth and Community S106 monies which is available for all three skate parks) and £11k from KCC Member grant funding for the skate park at Broadstairs. A small revenue contribution has been made against the Waste DLO for the purchase of new wheelie bins. The detailed Capital Programme is shown at **Annex 1**
- 4.3 The latest capital programme for 2013/14 for the Housing Revenue Account is shown at **Annex 3**. Due to difficulties with the delivery of the Kitchen and Bathroom programme the contract will be re-tendered. However, in the interim Mears will provide support for works of an emergency nature that is required during the re-tender period. There are some small over spends showing against electrical wiring 2012/13 and estate improvements 2012/13 within the East Kent Housing budgets which are currently being investigated and will be reported to Members in the next budget monitoring report.
- 4.4 There have been 3 listed buildings identified in Trinity Square that require a large amount of capital works to them outside of the agreed capital programme. It is therefore requested that a further £100k is included within the capital programme to be funded from the HRA major repairs reserve.
- 4.5 A review has been undertaken of the Council's right to exercise its right to 'buy back' right to buy properties and whilst in the past it is an area the Council has not pursued, it is now

an option that the Council would like to take up. It is therefore requested that a further sum of £100k is drawn from HRA balances. Further details of the Buy Back scheme have been provided in **Annex 4**.

5.0 Reporting of Balance Sheet Debt

5.1 The Council's budget monitoring arrangements currently cover the forecast outturn for the General Fund revenue and capital budgets as well as the Housing Revenue Account. In line with generally accepted accounting practice the income figures within the revenue account reflect the value of services invoiced rather than paid; with the unpaid invoices being reflected within the balance sheet debtor accounts. As a result debts, including those of substantial value, are not reported to Cabinet or Council, until they are deemed to be irrecoverable, at which time they may be reported to Cabinet for write off, if they exceed £20,000.

5.2 As the level of aged debt is an important indicator of the financial risk being carried by the Council it is proposed that the Financial Procedure Rules be amended to include the requirement to report to Council any debt owed by an organisation, or its subsidiaries, where it exceeds £150,000. The report will also include details of the debt recovery measures in place. Debt will only be reported after it has become 'aged', i.e. falls outside of the Council's standard payment terms of 90 days, to the next available ordinary council meeting.

6.0 Corporate Implications

6.1 Financial

6.1.1 The financial implications have been reflected within the body of the report.

6.2 Legal

6.2.1 Section 151 of the 1972 Local Government Act requires a suitably qualified named officer to keep control of the Council's finances. For this Council, it is the Chief Executive (S151 Officer), Sue McGonigal, and this report is helping to carry out that function.

6.3 Corporate

6.3.1 Corporate priorities can only be delivered with robust finances and this report gives Members the opportunity to review the Council's current position.

6.4 Equity and Equalities

6.4.1 There are no equity or equalities issues arising from this report.

7.0 Recommendations

7.1 That Cabinet notes the projected outturn position for 2013/14 for the General Fund.

7.2 That Cabinet notes the current Housing Revenue Account position.

7.3 That Cabinet notes the General Fund and Housing Revenue Account Capital Programmes.

7.4 That Cabinet agree for £100k to be drawn down from the Major Repairs Reserve to fund capital works to 3 listed buildings within the HRA.

- 7.5 That Cabinet agree for £100k to be utilised from reserves to fund the purchase of a Buy Back Scheme, to be administered as per annex 4.
- 7.6 That Cabinet recommend to Constitutional Review Working Party a revision of Financial Procedure Rules which requires the reporting of aged debts over £150,000 to Council.

Contact Officer:	Matthew Sanham (GF), Tel. (01843) 577227
Contact Officer:	Nicola Walker (HRA and Capital), Tel. (01843) 577236
Reporting to	Sarah Martin – Financial Services Manager

Annex List

Annex 1	General Fund Capital Programme
Annex 2	Housing Revenue Account
Annex 3	HRA Capital Programme
Annex 4	Right to Buy- Buy Back Scheme

Background Papers

Title	Where to Access Document
None	N/A

Corporate Consultation Undertaken

Finance	Sarah Martin – Financial Services Manager
Legal	N/A