

**Report to: Performance Management and Budget Scrutiny Committee,  
4<sup>th</sup> June 2013**

**Report of: Corporate Director - Resources**

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**Subject: QUARTER 4 FINANCIAL MONITORING REPORT**

**1. Decision Required**

1.1 To note the financial monitoring report details including budget variances and year-end forecasts, debt write-offs and performance indicators for the 4<sup>th</sup> quarter ended 30<sup>th</sup> March 2013 (Q4), and consider any recommendations for action to Cabinet.

**2. Scope and Purpose of this Report**

2.1 To update members of PMBS on the final financial position of the Council for 2012/13, following the quarter 4 financial monitoring exercise.

2.2 This report provides monitoring details including annual budgets, Q4 performance against budget, estimates and calculations, reasons for variances, and performance details, for the following areas of activity:

- Revenue budget performance- **Appendices 1 and 2**
- Income performance – **Appendix 3**
- Car Parking income performance - **Appendix 4**
- Employee costs performance – **Appendix 5**
- Earmarked reserves – **Appendix 6**
- Capital Programme performance - **Appendix 7**
- Debt collection/supplier payment performance measures – **main body of report**

2.3 Full details on Treasury Management will be included in the 2012/13 Annual Treasury Report which will be presented to July Cabinet.

**3. Background**

3.1 The reported position in quarter 3 this year was a budget shortfall of £71k and a forecast shortfall for the year end of £45k. This was an improvement on the quarter 2 position, which was largely due to the implementation of action plans to reduce expenditure, particularly in Cleaner & Greener and Safer & Stronger Services.

3.2 Included within the 2012/13 budgets are efficiency savings targets of £935k across a number of schemes. As previously reported, the majority of these savings have been achieved in 2012/13. Three savings proposals have not been achieved in 2012/13, although they have been addressed or are planned to be addressed in 2013/14, these are: restructuring in Development Management (£27k), opening of Park Street (£20k) and Museums storage reductions (£10k). Two savings proposals could not be achieved in 2012/13 and have been included in the MTFS and 2013/14 budget as a cost pressure. These are route optimisation in Cleaner & Greener (£13k) and rental income from the

Racecourse (£70k). The shortfall on the £935k savings programme for 2012/13 is therefore £140k which means that savings totalling £795k have been achieved in year.

#### 4. Revenue Performance - Headlines

4.1 The Council has delivered a small budget surplus of £23k at the year end. This has occurred despite significant income budget shortfalls totalling £435k, most of which occurs on fees and charges. The income shortfalls were forecast early in the year and expenditure action plans were put in place to try to deliver a balanced budget by year end. The expenditure action plans have mostly been successful and budget holders have delivered an expenditure budget surplus of £522k for the year. The expenditure surplus is reduced by £64k to £458k with the addition of housing/council tax net benefits subsidy and capital charges. The budget details are provided in **Appendices 1 and 2**.

4.2 In Q3, the reported position on Revenues & Benefits was forecast as a £100k shortfall. The actual year end position on Revenues & Benefits subsidy and recovery of overpayments improved to a £19k shortfall. Whilst this improvement makes a significant difference to the Council's overall performance, it is a very small % change (0.2%) on the total subsidy and overpayments recovery position.

4.3 The income budgets for the Council total £12.6m and the shortfall was £435k – a 3.5% shortfall overall (**see Appendix 3**). The main budget variances on income are:

Car parking	£250k	shortfall( <b>Appendix 4</b> )
Trade waste	£96k	shortfall
Licencing	£36k	shortfall
Building control	£80k	shortfall
Sports Centres	£42k	shortfall
Bereavement	£23k	surplus
HUB	£30k	surplus

4.4 Steps have been taken within Cleaner and Greener to address the trade waste income shortfalls for 2013/14. The MTFs and 2013/14 budget proposals provide £300k to reduce the car parking income budget, £20k to reduce the Licencing income budget and £47k to reduce the Building Control income budget. In addition, Safer and Stronger are developing Leisure Trust proposals to address the shortfalls on sports centre income. However, these areas will require careful monitoring in 2013/14 if the Council is to deliver its budget targets.

4.5 The main budget surpluses on expenditure are on employees £345k (3.3%) and general supplies and services £169k (6.8%). Details on employee variances are shown at **Appendix 5**. The most significant surpluses are on Cleaner and Greener £270k (6.3%), PIE £39k (7.9%) and WIASS £45k (11.4%). Further details on variances are provided in **Appendix 2**.

4.6 In arriving at the revenue figures, a number of planned transfers to and from earmarked reserves have taken place (**Appendix 6**). £1.47m of earmarked reserves has been spent in year, and £1.075m has been transferred back into earmarked reserve balances from the 2012/13 budgets and grants.

## **5. Capital – Performance Headlines**

5.1 The Capital Programme detail is shown at **Appendix 7**. The budget for 2012/13 is £1.868m and the expenditure for the year is £1.064m, although some of the expenditure (£271k) was charged to revenue. The “underspend” of £0.8m in year is largely made up of slippage on the following projects and schemes into 2013/14:

- North Riverside £185k (main scheme delivery will be April/May 2013)
- Fort Royal Park £227k (main scheme delivery is currently being planned)
- Angel Place £90k (rolled forward to 2013/14)
- Regulatory system £90k (go live in 2013/14)
- Housing DfG/RHP £116k (rolled forward to 2013/14).

5.2 The capital programme has been financed as follows:

- External Grants £424k
- Earmarked Reserves £365k
- Capital Receipts £275k

5.3 The external grant funding mostly relates to Housing grants. Earmarked reserves have funded some priority projects spend and capital infrastructure replacement and capital receipts have funded vehicles, bins and ICT replacement. The Council received some £332k of capital receipts in year, for the sale of Astwood cemetery house, a minibus, and from Right to Buy receipts.

## **6. General Fund and Earmarked Reserves**

6.1 The General Fund balance brought forward from 2011/12 was £1.25m. Council approved a small increase of £8k to £1.258m as part of the 2012/13 budget setting process.

6.2 The General Fund balance was increased by £0.25m in 2011/12, to reflect the funding uncertainty in the previous MTFS. Since then, the volatility on Local Government funding has increased as has the level of reduction in Government funding. At this stage it is not clear what the future financial impact will be from the new Business Rates regime, from the next CSR and from our own efforts on transformation and commissioning. It is therefore proposed that the General Fund Balance is continued at its current level of £1.258m and rolled forward into 2013/14.

6.3 The Council’s Earmarked Reserves balances at the start of 2012/13 were £5.132m(**Appendix 6**). The transfers into earmarked reserves from existing budgets and grants are as follows:

<b>Budget</b>	<b>Transfer In</b>
Regeneration (shop front grants, SME engagement)	£56k
Three Choirs Festival (rolling 3 year programme)	8k
Pension back funding arrears	£150k

Council Tax New Burdens Grant from DCLG for system changes	£27k
Decriminalised parking County contribution to new PCN system	£58k
New Homes Bonus 2012/13 payments (£406k and £270k)	£676k
ICT capital replacement – Regulatory System/Infrastructure	£50k
DCLG Insulation Grants to Regional Housing Pot	£50k
	<b>£1.075m</b>

6.4 A number of earmarked reserves were utilised as planned in year as follows:

<b>Budget</b>	<b>Transfer Out</b>
Operational reserves across a number of areas	£129k
HPDG – staffing, systems improvement, SWDP development	£160k
Change programme – organisational development, professional advisor reviews, redundancies	£287k
Corporate plan projects – Fort Royal, north Riverside, olympic torch, residents parking, bursaries	£128k
Swimming pool – business case development, planning fees, surveys	£171k
Regional Housing Pot – grants and improvements	£81k
Capital Replacement – complete the Commandery roof, bridge lights, Croft Rd. landscaping, Guildhall, cash receipting upgrade	£263k
New Homes Bonus – high speed broadband, Whittington roundabout, High Street resurfacing	£250k
	<b>£1.47m</b>

6.5 The closing balance on earmarked reserves is £4.737m.

6.6 The closing balances include:

£100k	change/transformation/commissioning (including £27k CT reform)
£630k	pension reserve (options review planned for 2013/14)
£985k	environmental liability reserve (options review planned in 2013/14)
£651k	corporate plan priorities (including £90k Angel Place, £100k Cornmarket /Cathedral, £32k economic prosperity initiatives, £185k north Riverside, £227k Fort Royal park).
£177k	capital replacement for NWSC roof (our share), ICT infrastructure and Regulatory Services system.
£187k	for swimming pool development, parking infrastructure and new PCN system.
£406k	HPDG grant balance to support SWDP development, and staffing and ICT initiatives in Regeneration & BE, Development Management and Strategic Housing.

## **7. Supplier Payments**

7.1 The Council's target for paying invoices within terms is 100%. At the end of the Quarter 4, the actual achievement was 94.25% on time, up from 89.8% in Quarter 4 2011/12. As highlighted at Quarter 2 there was a dip in performance with the establishment of the finance shared service, however it can now be seen that this has

increased in all subsequent quarters. The details on our prompt payment (30 days performance) are:

<b>Quarter</b>	<b>%</b>	<b>Cum %</b>
1 <sup>st</sup> Quarter	95.60	95.60
2 <sup>nd</sup> Quarter	88.18	91.89
3 <sup>rd</sup> Quarter	89.14	90.53
4 <sup>th</sup> Quarter	94.25	91.40

Total invoices paid in year were 6,317 (7,260 in 2011/12), of which total invoices paid promptly were 5,774 (6,641 in 2011/12).

7.2 In 2009/10 the council undertook to pay local suppliers within 10 days. Performance in the fourth quarter of 2012/13 was 84.07% compared to 82.83% the previous year.

## **8. Collection of Council Tax and Business Rates**

8.1 The percentage of current year debt collected to the end of March 2013 is shown below together with the comparable figures for March 2012.

	<b>Percentage collected up to 31<sup>st</sup> March</b>	
	<b>2012</b>	<b>2013</b>
Council Tax	97.85%	97.55%
Business Rates	98.92%	98.58%

8.2 Collection of Council Tax and Business Rates has both declined slightly on the previous year. This is no small achievement given the current economic climate and credit goes to the Revenues & Benefits team for their hard work in the debt collection area.

8.3 The write-offs of Council Tax and Business Rates compiled during Quarter 4 are for 115 cases and amount to £43k for Council Tax and £156k for Business Rates, £199k in total.

8.4 Of these write-offs, 83 cases totalling £52k (below £2,000) have been approved by the Revs & Bens Shared Service management and 20 cases totalling 56k (below £5,000) have been approved by the S151 officer. The write-off of twelve Business Rates accounts totalling £91k (four for insolvency and eight for absconding/cannot be traced/other) will go forward to Cabinet for approval.

8.5 A detailed schedule of all write-off accounts is held by the South Worcestershire Revenues and Benefits Shared Services. It should be noted that debts that are written off will be reinstated should further information come to light which increases their chances of collection. Write-offs relate to all preceptors (County, Fire and Police), not just Worcester City. Write-off records can be made available to members on request.

## **9. Policy, Legal, Financial, Equalities and Risk Management Implications**

- 9.1 **Policy** – the Council should ensure that spending levels are in accordance with agreed budgets which are set to deliver council priorities. General Fund balances are held at least at the agreed preferred level, and any appropriations to/from earmarked reserves are agreed by full Council as part of the budget framework.
- 9.2 **Legal** – none directly arising from this report
- 9.3 **Equalities**– none directly arising from this report
- 9.4 **Financial** – included within this report.
- 9.5 **Risk** – the key risks to the Council’s financial performance are as follows:
- (1) The Revenues & Benefits financial performance forecast on Housing Benefit and Council Tax subsidies. A small % swing on subsidy performance causes a disproportionate impact on the Council’s bottom line;
  - (2) those service areas which cannot be directly controlled by Officers e.g. homelessness temporary accommodation, fees and charges income generation, economic downturn impacts on interest rates, and;
  - (3) agreed savings and action plans failing to deliver as expected.

Budget monitoring is key to managing financial risks. Monthly budget monitoring processes are in place with finance staff and Service Managers and action plans are in place to address budget shortfalls.

## **10. Comments of the Corporate Director - Resources**

- 10.1 This report identifies the key financial performance areas of the Council’s revenue budgets, capital programme and earmarked reserves after Q4 monitoring for 2012/13 year end. On the General Fund revenue account, a small surplus of £23k has been generated, and I recommend that this is transferred to the ‘Change Programme’ earmarked reserve, for future initiatives on improving value for money and generating savings proposals.
- 10.2 Earlier in the year, significant shortfalls on income were forecast and action plans to reduce expenditure were developed, to try to achieve a balanced budget. The action plan implementations have largely been successful and budget holders should be congratulated for the efforts they have made, particularly in Cleaner and Greener who delivered a target expenditure reduction of £200k to offset the forecast shortfall on car parking income.
- 10.3 In previous financial years there has been a surplus arising on budgets from the early implementation of the following year’s savings programme, this has not happened to any significant extent in 2012/13. The savings target for 2013/14 is £686k and with the exception of elements of the PIE, Strategic Housing, WIASS, HUB and Community Safety Partnership savings (totalling some £100k), the majority of savings proposals remain to be implemented in 2013/14.

10.4 Close monitoring of financial performance will be needed in 2013/14, particularly on the savings programme as mentioned above, fees & charges income and Revenue & Benefits Housing Benefits subsidy, Council Tax support and Business Rates pooling.

**11. THE CORPORATE DIRECTOR - RESOURCES RECOMMENDS:**

**11.1 That PMBS reviews the financial monitoring report details including write-offs, performance indicators, budget variances, general fund and earmarked reserves, for the year ended 31<sup>st</sup> March 2013, and considers any recommendations for action to Cabinet.**

**Ward(s): All**  
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**Background Papers: None**