

Audit & Performance Committee Meeting 23 April 2013

February 2013 – Period 11 Monthly Report

KEY MESSAGES:

Period 11 Financial Overview

At Period 11, Service Areas are projecting a favourable variance of £3.1M against the net Budget position of £215.8M. This is an adverse movement of £1.4M from Period 10. Corporate Financing is projecting a favourable movement to Period 10 of £1M. The bottom line surplus of £4.1M is therefore £0.4M worse than that reported in P10.

12/13 Projected Closing General Fund Reserves

Closing General Fund Reserves are projected to be c£25M-£29M. As we approach year end there may be potential to build other Earmarked Reserves to cover change costs for significant future programmes such as the Customer Programme.

Balance Sheet

At Period 11, the Balance Sheet net asset position has moved from £288.6M in Period 10 to £275.9M. This is almost exclusively driven by movements in working capital (current assets and current liabilities).

Capital Expenditure is projecting a net capital outturn of £25.5M, an under-spend of £9.2M against the Budget of £34.7M (excluding HRA). Of the variance £5.8M is due to slippage and £3.4M (£5.8M and £3.2M respectively in Period 10) to projected underspend.

The first phase of the **Debt Management Project** has now completed. A separate report is presented to the committee on this issue.

INTRODUCTION

This report provides an overview of the Council's position for Period 11 and covers:

- **SECTION 1** – Revenue expenditure including; Tri-Borough Net Savings and Costs, Service Area expenditure and Financial risks and opportunities;
- **SECTION 2** – Projected General Fund Closing Reserves;
- **SECTION 3**– Consolidated Balance Sheet including; Capital Expenditure and Debt; and
- **SECTION 4** – Finance Strategic Projects.

SECTION 1: REVENUE EXPENDITURE AND TRI-BOROUGH SAVINGS & COSTS

1. 2012/13 Budgets

Service Areas are projecting a favourable variance of £3.1M against the net Budget position of £215.8M. This is an adverse movement of £1.4M since Period 10 largely as a result of adverse movements in Property, City Management, Housing and Adult Social Care. These are partially offset by a favourable movement in Parking.

Corporate Financing is projecting a favourable movement to P10 of £1M which is due to reduced financing charges.

The bottom line is a £4.1M surplus, a £0.4M adverse movement from P10.

2. Tri-Borough Net Savings & Costs

The three Tri-Borough Service Areas are projecting a net savings position of £2.4M, £0.4M favourable to Budget; this is unchanged from Period 10. Significant Tri-Borough change/investment costs are being incurred and at Period 11 for 12/13 these are projected to be £2.0M, which is a favourable movement of £0.2M from last period.

3. Service Area Revenue Expenditure

Service Areas are projecting a £3.1M underspend. This surplus / deficit at Period 11 is comprised of the following:

- **Favourable variances (underspends)** – Adults (£2.4M), Parking (£1.5M), City Management (£1.2M), Children’s (£0.8M), Finance & Operations (£0.4M).
- **Unfavourable variances (overspends)** – Property (£2.3M), Built Environment (£0.6M), Housing (£0.3M), Libraries (£0.1M).
- **Break-even** – Sports & Leisure and SEB & Strategic Support.

4. Westminster Funding for Change Costs

In February when the 12/13 Budget was set, £1.5M was included to fund change related activity. With a working assumption in place that around £1M would fund Tri-Borough change/investment costs, the remaining £0.5M would relate to Westminster change programmes. At Period 11 the full year projected costs are around £1.3M, £0.3M overspend which is unchanged from previous period.

SECTION 2: PROJECTED CLOSING GENERAL FUND RESERVES

At its meeting on 12 December 2007, the Committee approved a new Reserves Policy as follows:

“The Reserves policy assumes that the medium term financial plan generates a broadly balanced budget on a sustainable basis by the end of the three year business planning period. Reserves should reflect the agreed financial strategy and should represent the quantified impact of risks and opportunities over the current three year business planning period, weighted to allow probability.”

At Period 11, we are projecting Closing General Fund Reserves for 12/13 of c£25M-c£29M. As Reserves increase we will consider creating Earmarked Reserves to cover change costs from significant programmes such as the Customer Programme. We will ensure that we monitor closely all the risks and uncertainties around this position as we approach the end of the financial year.

SECTION 3: BALANCE SHEET

1. Balance Sheet – Summary

At Period 11, the Balance Sheet net asset position has moved by £12.6M from £288.6M in Period 10 to £275.9M. This is almost exclusively driven by movements in working capital (current assets and current liabilities) with significant changes in: short-term debtors with an increase of £2.5M; bad-debt provision a decrease of £4.5M; and receipts in advance £5.5M decrease.

The summary position is shown in **Table 1** below.

Table 1 – Summary Consolidated Balance Sheet

	Total 31 January 2013 (P10)	Total 28 February 2013 (P11)	Vs P10 Movement
	£'000	£'000	£'000
<u>CURRENT ASSETS</u>			
SHORT TERM DEBTORS	99,628	102,137	2,509
SUNDRY DEBTORS	10,496	10,472	(24)
BAD DEBT PROVISION	(66,227)	(61,745)	4,483
PREPAYMENTS	1,668	260	(1,407)
INVENTORIES	192	195	3
CASH	2,287	2,267	(20)
<u>CURRENT LIABILITIES</u>			
SHORT TERM CREDITORS	(88,896)	(87,762)	1,135
CAPITAL RECEIPTS IN ADVANCE	(118,411)	(119,812)	(1,401)
RECEIPTS IN ADVANCE	(42,814)	(37,334)	5,481
<u>LONG TERM ASSETS</u>			
LONG TERM DEBTORS	8,399	8,399	0
<u>LONG TERM LIABILITIES</u>			
PROVISIONS	(31,537)	(30,381)	1,156
<u>USABLE RESERVES</u>			
EARMARKED RESERVES	(36,689)	(35,480)	1,210
CAPITAL RECEIPTS UNAPPLIED	(923)	(1,394)	(471)
CAPITAL GRANTS UNAPPLIED	(2,501)	(2,617)	(116)
OTHER RESERVES	(23,064)	(23,083)	(19)
<u>HOLDING ACCOUNTS</u>			
	(180)	(65)	114
Grand Total	(288,573)	(275,941)	12,632

2. Capital Expenditure

Service Area Capital Expenditure

Service Areas are projecting a net capital outturn of £25.5M, an underspend of £9.2M against the Budget of £34.7M (excluding HRA). Of the variance, £5.8M is due to slippage and £3.4M to projected underspends (£5.8M and £3.2M respectively in Period 10).

A CRG meeting was held on 21st January with the primary actions being to identify £10M of savings against £21.9M pressure over the 5 year capital programme to 14/15, largely through the review and re-profiling of the programmes across the period. In January the revised 12/13 forecast, slippage and 13/14 budget was presented to CRG for approval. Please note that the slippage figure reported within this report is indicative with the final approval being sought at the June CRG meeting.

The Period 11 underspend of £9.2M is comprised of the following:

- **Favourable variances (underspends)** – Children’s (£7.7M), Property (£2.1M), City Management (£0.6M), Sports & Leisure (£0.3M), Housing (£0.2M) and Libraries (£0.1M).

- **Unfavourable variances (overspends)** – Built Environment (£0.1M), Finance & Operations (£1.0M) and Adults (£0.6M).
- **Break-even** – Parking.

3. Debt Position

(a) Debt Management Project – Progress Update

The first phase of the Debt Management Project has now completed. A detailed report outlining next steps has been separately issued to the Committee.

(b) Period 11 Debt Position

At Period 11, the Council's outstanding Debt position has decreased by £5.4M from £76.4M at Period 10 to £71.0M at Period 11. The Period 11 figure comprises; £10.5M Sundry Debt (unchanged from the previous period) and £60.6M of Service Specific Debt (a decrease of £5.4M on Period 10).

The decrease in Service Specific Debt of £5.4M relates largely to decreases in Parking (£4.6M) and Property (£0.8M). The total aged Debt profile is shown in the **Table 2** below.

Table 2 – Total Aged Debt Profile

Service Area - Sundry Debt (SSC - Order to Cash Team)	Days	Days	Days	Days	Days	Days	Total	Provision
	0-30	31-60	61-90	91-180	181-365	>365		
	£000	£000	£000	£000	£000	£000	£000	£000
Adults Services	2,238	189	171	631	528	930	4,687	1,746
Childrens Services	593	306	2	43	29	123	1,096	251
Libraries & Culture	29	21	0	3	1	9	62	17
Built Environment	697	310	6	73	15	68	1,170	389
City Management	588	211	226	216	220	395	1,856	762
Parking	0	0	0	0	0	0	0	0
Housing (incl CWH)	452	48	10	59	0	57	625	5
Property	0	0	0	0	0	2	3	4
Sports & Leisure	50	0	0	85	(0)	4	139	17
SEB & Strategic Support	175	78	0	39	69	15	375	104
Finance & Operations	316	9	3	20	8	102	459	131
Total	5,138	1,173	419	1,170	869	1,703	10,471	3,427
% of Debt	49%	11%	4%	11%	8%	16%		
Service Specific Debt								
Property	56	21	245	254	839	2,057	3,472	1,537
Housing Benefit Overpayment	717	521	446	1,389	2,656	10,907	16,636	15,664
Housing TA Arrears	996	0	0	0	0	4,971	5,967	4,945
Commercial Waste	208	108	64	91	31	(62)	438	201
Parking	1,397	1,166	1,214	3,248	5,239	21,787	34,051	31,578
Total	3,374	1,816	1,969	4,981	8,764	39,660	60,564	53,925
% of Debt	6%	3%	3%	8%	14%	65%		
Grand Total	8,512	2,989	2,387	6,151	9,633	41,363	71,036	57,352

SECTION 4: FINANCE STRATEGIC PROJECTS

The projects below are ongoing throughout 12/13. The status of these at Period 11 is as follows:

- **“Forging Finance”**: Much of this year's work programme has now been delivered. The focus on strengthening financial management has been maintained throughout the year through a regular programme of training and briefings, process improvement and staff engagement activities. The emphasis for the remainder of the year will be on re-focussing resource to strengthen strategic support provided to budget holders particularly in preparation for year-end and integrating Public Health which commenced 1st of April.

- **Programme Athena/Managed Services:** On 2nd January, the Lot 1 bid was signed and BT announced as the Framework provider for HR, Payroll, Finance and Procurement. The Council is now in the implementation stage for HR Payroll on 1st November and Finance and Procurement on 1st April 2014.
- **2013/14 Budget:** The Budget and Council Tax Report for 13/14 was submitted to Cabinet for consideration on 25th February, and received final approval by full Council on 6th March. Council Tax leaflets have been prepared and issued. 13/14 Budgets have been loaded onto the WIMS system for the commencement of the new financial year.