

**BROMSGROVE DISTRICT COUNCIL**

**CABINET**

**22<sup>nd</sup> JUNE 2011**

**FINANCIAL OUTTURN REPORT - 2010/11**

Relevant Portfolio Holder	Councillor Roger Hollingworth
Relevant Head of Service	Jayne Pickering, Executive Director Finance and Corporate Resources
Key Decision / Non-Key Decision	

**1. SUMMARY OF PROPOSALS**

- 1.1 To present members with the financial information for the year ended 31 March 2010. This includes:
- Financial Outturn Information 2010/11 for Revenue and Capital Spend
  - Annual Governance Statement 2010/11

**2. RECOMMENDATIONS**

- 2.1 That Cabinet note the outturn financial position on Revenue and Capital as detailed in this report.
- 2.2 That Cabinet recommend to Council:
- 2.2.1 the increase in the 2011/12 Capital Programme of £2.479m in relation to the carry forward requests as identified at Appendix 1
- 2.2.2 the release of £5,587 from balances following the abolition of Lickey End Parish Council
- 2.2.3 the approval of the Annual Governance Statement at Appendix 2

**3. BACKGROUND**

- 3.1 The Integrated Finance and Performance Report has been presented to Members on a quarterly basis during 2010/11. This report presents a summary of the final financial position for the financial year. This ensures members have a full financial position statement of the Councils activities prior to the formal Statement of Accounts document is approved.
- 3.2 In previous years the formal there has been a requirement for the Statement of Accounts to be approved by Members prior to the 30<sup>th</sup> June. There has been a change for the 2010/11 accounts which will result in the S151 officer approving the accounts by 30<sup>th</sup> June, with full Member approval after the

External Audit and by 30<sup>th</sup> September. This ensures that any Audit changes can be reflected in the accounts final approval.

- 3.3 The net revenue budget for the Council was approved in March 2010 of £15.203m. This included an estimated transfer to balances of £134k. Approved revisions during 2010/11 included additional grant income for services and an increase for recharge figures, and resulted in a revised net position of £16.204m. This is the position that has been used for this report and financial statements.

#### **4. KEY ISSUES**

##### **FINANCIAL POSITION FOR THE YEAR**

##### **4.1 Revenue Budget**

- 4.1.1 The Revenue Account produced a year end surplus of £792k compared to a revised budgeted surplus of £75k, an improvement of £717k. This is due to a number of factors detailed in this report. In addition in December 2010 officers were requested to ensure that any expenditure on general non-essential items were reviewed to ensure that the balances position for the Council was protected in light of the severity of the cuts anticipated. The significant underspend has enabled the Council to increase the amount transferred to balances to support future one off budget pressures.
- 4.1.2 .The increase to balances has resulted in a current position of £2.059m of available for one off items of expenditure (minimum approved level £850k).
- 4.1.3 Within the financial position statement the Council has set aside a number of reserves to ensure sufficient finances are available to fund future commitments including any transition costs associated with shared services and transformation which may be needed to ensure savings are delivered in the future.
- 4.1.4 The Council Revenue Summary is detailed below.

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**Revenue Budget summary – Overall Council 2010/11**

Service Head	Revised Budget 2010/11 £'000	Actual spend 2010/11 £'000	Variance 2010/11 £'000
<b>Environmental Services</b>	4,716	4,463	-253
<b>Community Services</b>	3,505	3,354	-151
<b>Regulatory Services (BDC Client)</b>	1,079	1,032	-47
<b>Leisure &amp; Cultural Services</b>	1,901	1,800	-101
<b>Planning &amp; Regeneration</b>	1,184	1,216	32
<b>Customer Services</b>	66	26	-40
<b>Finance &amp; Resources</b>	1,654	1,503	-151
<b>Legal, Equalities &amp; Democratic Services</b>	1,316	1,248	-68
<b>Policy, Performance &amp; Partnerships</b>	-36	-20	16
<b>Business Transformation</b>	192	0	-192
<b>Corporate Services</b>	658	733	75
<b>SERVICE TOTAL</b>	<b>16,235</b>	<b>15,355</b>	<b>-880</b>
<b>Exceptional Income (Fleming VAT)</b>	0	-154	-154
<b>Capital Expenditure charged to Revenue</b>	80	80	0
<b>Other non-service income</b>	0	-31	-31
<b>Interest on Investments</b>	-87	-122	-35
<b>General Transfer to Earmarked Reserves</b>	-24	359	383
<b>COUNCIL SUMMARY</b>	<b>16,204</b>	<b>15,487</b>	<b>-717</b>

**4.1.5 Financial Commentary**

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- 4.1.6 The table shows an under spend of £717k against the revised budget of £16.204m.
- 4.1.7 As previously mentioned measures were instigated in December 2010 to reduce expenditure following the significant reduction in Government Grant income to the Council. This increased the anticipated underspend from £323k in December to £717k at the end of the financial year.
- 4.1.8 These actions included; a full review of all orders to ensure the essential nature of all procurement , to review any general non-essential spend and looked to maximise income opportunities.
- 4.1.9 Contributory factors to the overall under spend include:
- A refund (£49k) of national non-domestic rates in relation to the Dolphin Centre, following assessment by the Valuations office dating back several years. This forms part of the Leisure and Cultural Services reported under spend.
  - An increase in investment income from the anticipated £87k to £122k.
  - Net receipts arising from HMRC as a result of the Fleming VAT case amounting to £154k
  - Due to the VAT monies received and the overall position additional general amounts were transferred back to earmarked reserves, totalling £383k. These are reported for approval in a separate Agenda item to this meeting.
  - The underspend in Environmental is due a number of budgets which have been identified as surplus to service delivery. These have been taken as the “quick wins” part of the budget process 2011/12 and no longer for part of the base budget for these service areas.. Additional savings have also been made during this year while work processes are reviewed posts have remained vacant. There has also been an additional grant (£55k) received from the County Council for the collection of waste.
  - Community Services - the reduction in costs associated with the transfer of the Caravan site to an partner provider has resulted in a significant underspend for the service. This has been factored into the 2011/12 budget projections.
  - Finance and Resources – the refund of business rates for the Council House of £65k together with the review of non-essential spend on facilities maintenance has resulted in the savings position.
  - Transformation & IT – this underspend is due to renegotiation of contracts and a reduction in anticipated spend due to a review of general non-essential expenditure.

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**4.2 Capital Budget**

4.2.1 The Capital Budget relates to assets purchased or improvements to Council facilities.

4.2.2 Capital Summary 2010/11

Department	Revised Budget 2010/11 £'000	Actual spend 2010/11 £'000	Variance £'000
<b>Resources</b>	626	539	-87
<b>Business Transformation</b>	201	156	-45
<b>Environmental Services</b>	331	208	-123
<b>Regulatory Services</b>	493	49	-444
<b>Planning &amp; Regeneration</b>	1,200	140	-1,060
<b>Community Services</b>	1,986	1,545	-441
<b>Leisure &amp; Cultural Services</b>	958	376	-582
<b>TOTAL</b>	<b>5,795</b>	<b>3,013</b>	<b>-2,782</b>

**Financial Commentary**

- The Capital Programme is considered on a monthly basis by the Asset Management Group to ensure projects are on schedule and within budget. In addition Heads of Service

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meet regularly with Service Accountants to identify the financial management issues within the programme.

The main areas where Capital Schemes are under spent are:

- The sum of £36k for Building alteration for DDA compliance and £50k for remedial works to Council buildings. It has been assessed that there are no concerns that are required to be resolved that may pose a risk to the Council or the community. It is therefore anticipated that these budgets will remain unspent until a decision is made on the future of the Council's buildings.
- The £95k funds allocated for the Cemetery expansion work is not due to commence until 2011/12 due to a delay in receiving survey results from external providers.
- The funds allocated for New Park Barnsley Hall of £195k have not yet been spent due to the extensive negotiations and planning discussions in relation to the access arrangements to the proposed development. It is anticipated that this budget will be spent within 2011/12.
- A large project commenced during the Financial Year for the District Wide Provision of Sports facilities. Some areas of this project remain outstanding due to final design requirements being confirmed These include the facilities at Braces Lane and Alvechurch. Works are under discussion and are due to commence in the first quarter of 2011/12. It is proposed that the budgets for these projects are carried forward into 2011/12.
- A scheme totalling £83k for the replacement and maintenance of bridges has not yet commenced due to the continued work of assessing the work to be undertaken. It has been proposed that the budget for this scheme is rolled into 2011/12, to allow the work to be carried out which is being commissioned at this time.

4.2.3 The underspend has resulted in £304K being transferred back to the general capital receipts reserve for future capital projects.

4.2.4 Appendix 1 details the requests to carry forward capital funding towards a number of projects to ensure that they can be delivered in 2011/12.

### **4.3 TREASURY MANAGEMENT**

#### **4.3.1 Investment Interest - updated**

For the year to 31 March 2011 the Council received net investment income amounting to £116k against budgeted receipts of £87k. This income arises on interest earned on in-house managed funds (cash currently surplus to cash flow requirements that is placed on short-term deposit).

- 4.3.2 Due to advice received the Council is maintaining its stance of depositing in ultra low risk investments. In our recent Investment Updates we have been advised to use named UK incorporated institutions as investment counterparties whose long-term ratings are currently in the 'double-A' category.
- 4.3.3 All funds are now managed internally within the Finance department with support from our advisors Arlingclose.

#### **4.4 REVENUE BALANCES AND EARMARKED RESERVES**

##### **4.4.1 Revenue Balances**

The revenue balances brought forward at 1 April 2010 was £1.266m. The revised estimate assumed that £75k would be transferred to balances as part of 2010/11 final position. The increased level of savings as detailed in this report has meant that an increased addition to balances of £717k has been made. The new level of balances is £2.059m, which can be utilised to fund one off items to deliver the priorities of the Council.

- 4.4.2 Members are also asked to consider the transfer of the precept that was returned to the Council from the abolished parish of Lickey End. In December 2010 following the formal abolition of the parish £5,587 was returned to the Council from initial precepts that had been recovered by residents of the parish. These funds were transferred to General Fund balances. It was anticipated that these funds would be spent within the Lickey End area and a recent request has been received to transfer the funds to Lickey End First school to purchase additional books and learning aids for the children. It is recommended by officers that this is an appropriate use of the funds.

##### **4.4.3 Earmarked Reserves**

The Council maintains a number of reserves which have been set up to earmark resources for future spending plans. The balance on these reserves is shown in a separate report being presented to this meeting.

**4.5 GOVERNANCE STATEMENT**

- 4.5.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall duty, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.
- 4.5.2 The preparation of an Annual Governance Statement is a statutory requirement and its purpose is to provide and demonstrate that there is a continuous review of the effectiveness of the Council's internal control and risk management systems so as to give assurance on their effectiveness and to produce action plans to address identified weaknesses.
- 4.5.3 The Governance Statement is included in Appendix 2 to this report.

**5. FINANCIAL IMPLICATIONS**

- 5.1 None other than those covered in this report.

**6. LEGAL IMPLICATIONS**

- 6.1 None

**7. POLICY IMPLICATIONS**

- 7.1 The delivery of an effective accounts and financial management service is demonstrated by the Statement of Accounts being presented to the revised statutory deadline.

**8. COUNCIL OBJECTIVES**

- 8.1 The effective management of financial arrangements ensures the Council objectives can be met..

**9. RISK MANAGEMENT INCLUDING HEALTH & SAFETY CONSIDERATIONS**

- 9.1 The Financial Services risk register includes the preparation of the accounts and the controls in place to ensure the accounts are closed within the deadline and are accurate and transparent.

**10. CUSTOMER IMPLICATIONS**

- 10.1 The effective use of our resources, as detailed in the statement ensures funds are appropriately utilised to meet customer demand.

**11. EQUALITIES AND DIVERSITY IMPLICATIONS**

- 11.1 None as a direct result of this report.

**12. VALUE FOR MONEY IMPLICATIONS, PROCUREMENT AND ASSET MANAGEMENT**

- 12.1 None as a direct result of this report.

**13. CLIMATE CHANGE, CARBON IMPLICATIONS AND BIODIVERSITY**

- 13.1 None as a direct result of this report.

**14. HUMAN RESOURCES IMPLICATIONS**

- 14.1 None as a direct result of this report

**15. GOVERNANCE/PERFORMANCE MANAGEMENT IMPLICATIONS**

- 15.1 The Annual Governance Statement demonstrates the Council has sound arrangements in place.

**16. COMMUNITY SAFETY IMPLICATIONS INCLUDING SECTION 17 OF CRIME AND DISORDER ACT 1998**

- 16.1 None as a direct result of this report.

**17. HEALTH INEQUALITIES IMPLICATIONS**

- 17.1 None as a direct result of this report.

**18. LESSONS LEARNT**

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18.1 Each year the finance service review best practice across the profession to ensure the Councils accounts show a complete and true view of the financial position.

**19. COMMUNITY AND STAKEHOLDER ENGAGEMENT**

19.1 None as a direct result of this report .

**20. OTHERS CONSULTED ON THE REPORT**

Portfolio Holder	Yes
Chief Executive	Yes
Executive Director (S151 Officer)	Yes
Executive Director – Leisure, Cultural, Environmental and Community Services	Yes
Executive Director – Planning & Regeneration, Regulatory and Housing Services	Yes
Director of Policy, Performance and Partnerships	Yes
Head of Service	Yes
Head of Resources	Yes
Head of Legal, Equalities & Democratic Services	Yes
Corporate Procurement Team	N/A

**21. WARDS AFFECTED**

**All wards**

**22. APPENDICES**

- Appendix 1 Capital Carry Forward Requests 2010/11
- Appendix 2 Annual Governance Statement

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**23. BACKGROUND PAPERS**

None.

**24. KEY**

n/a

**AUTHOR OF REPORT**

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