

Report to: Budget Panel
Date of meeting: 11th September 2012
Report of: Head of Strategic Finance
Title: Summary of the Financial Outturn 2011/ 2012

1.0 SUMMARY

1.1 This report informs the Budget Panel of the revenue and capital outturns for 2011/2012 and will subsequently be reported to Cabinet on 17th September.

2.0 RECOMMENDATIONS

2.1 To consider the revenue outturn as summarised at Appendix 1, and supplementary notes at Appendices 1A to 1G and to note that an over spend of £251k has occurred before end of year final account adjustments.

2.2 To note that specific unspent budgets have been carried forward into 2012/2013 in the sum of £301,337 and as detailed at Appendix 1E.

2.3 To consider the Reserves statements at Appendices 1F & 1G and note that, due to end of year adjustments the overall level of reserves has increased by £1,230,408 (Appendix 1F). It is also recommended that the Capital Fund Reserve should be increased by £287k with a compensating reduction to the Economic Impact Reserve. This recommendation will require formal Cabinet approval and the Panel has the opportunity to comment if it so wishes.

2.4 To consider the capital outturn as detailed at Appendix 2 and note that the Council's present and future holding of capital receipts is virtually fully committed.

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3.0 INTRODUCTION

3.1 A key feature of the reporting of the Final Outturn for any financial year is to compare the actual position with the original estimate and forecast budget monitoring statements produced throughout the year. This comparison is essential as it provides an indication of the accuracy and robustness of financial control within the Council.

3.2 It is important as part of that process that guidance is provided, as a simple comparison will not necessarily present a fair reflection of a constantly evolving situation. This report will hopefully provide a meaningful analysis of the revenue and capital outturns for 2011/2012. The more technical detail of the Final Outturn is reflected within the audited Statement of Accounts that will be reported to the Audit Committee on 25th September 2012.

4.0 ORIGINAL ESTIMATES 2011/2012

4.1 The original revenue estimates were approved by Council on 26th January 2011 and have been summarised at **Appendix 1** and indicated net General Fund expenditure of £14,581k.

5.0 BUDGET MONITORING: THE FINANCE DIGEST

5.1 Watford Council has a well developed budget monitoring system which compares original estimates with a forecast end of year financial outturn. The first report for 2011/2012 covered the first four months expenditure and income and was considered by the Budget Panel at its meeting on 20th September 2011 and comprised an explanatory report with a detailed Finance Digest.

5.2 During 2011/2012 monthly budget forecasts were considered by the Leadership Team, Budget Panel, quarterly reports were produced for Cabinet and copies of the Finance Digest were circulated to all members of the Council.

5.3 The last budget monitoring report / Finance Digest for 2011/ 2012 covered the 11 month period up to the end of February 2012. The position for the end of year (Month 12) is always delayed somewhat because it needs to be the final outturn and should include accountancy issues such as accruals; requests for carry forwards; review of bad debts provisions etc.

5.4 The key features of the Month 11 budget monitor included:

- a forecast outturn of £15,575k, reduced by :
- the use of £475k from earmarked reserves
- the use/ overspend of £519k from the Economic Impact Reserve

5.5 A summary of the Month 11 forecast is attached at **Appendix 1**.

6.0 SUMMARISED REVENUE OUTTURN 2011/2012

6.1 **Appendix 1** summarises the actual variances and actual outturn for 2011/2012 when compared to the Original Estimate and Budget Monitor/ Finance Digest and indicates a General Fund Outturn of £14,832k (an overspend of £251k).

6.2 **Appendix 1A** provides a simple overview of the major variances that actually occurred and also informs the Budget Panel of the end of year position for Reserves and finally the Capital Outturn.

6.3 The underlying £251k overspend is actually an extremely good situation as the Budget panel had previously received reports highlighting adverse pressures that included:

	£k
* Commercial rents/ market Income shortfall	597
* Homelessness additional costs	150
* Service prioritisation- shortfall in savings	239
* Shared Services additional operating costs	190

Credit must be attributed to Heads of Service and Portfolio holders in managing to mitigate to a great extent these adverse pressures.

7.0 ANALYSIS OF DETAILED VARIATIONS, RESERVES & BALANCES

7.1 **Appendices 1B/ 1C/ & 1D** analyses the salaries and agency outturn and other service major variations.

Appendix 1E details those unspent balances that Leadership Team recommend should be carried forward to 2012/2013 and is typically due to a delay in carrying out an initiative, Should Cabinet not approve this recommendation then the over spend of £251k would actually translate into an under spend of £50k but would put subsequent pressure upon the 2012/2013 revenue budget.

7.2 **Appendices 1F & 1G** detail the end of year position regarding the Council's holding of reserves and balances and indicate an increase of £1,230k and is further discussed at Appendices 1A and 1G.

Appendix 1G also includes a recommendation that the Capital Fund Reserve be increased by £287k with the Economic Impact Reserve reducing by a compensating amount.

7.3 The appropriate level of reserves to be held by the Council will be considered within the Medium Term Financial Strategy to be reported to the Budget Panel at its next meeting on 23rd October 2012.

8.0 CAPITAL OUTTURN 2011/2012

8.1 A detailed analysis of the council's capital programme has been attached at **Appendix 2**. The main features (as summarised on the final page) include:

- an outturn spend (including Section 106) of £10,066k
- an anticipated total spend in 2012/ 2013 of £12,293k
- further programmed expenditure in 2013/2015 of £12,451k
- that uncommitted capital receipts will have reduced to £ 922k

8.2 The headline figures at paragraph 8.1 do not make provision for any new projects to be included within the capital programme. The holding of capital receipts has also assumed new receipts of £5.5m (General) and £0.775m (Section 106) will be realised within the three year period 2012/2015.

9.0 CONCLUSION

9.1 The 2011/2012 revenue outturn represents a good result against a national background of an economy at best 'flat' and potentially slightly recessionary. This has affected Watford Council both through its commercial rent income and through pressures upon its homelessness budget. The underlying trend of expenditure indicates a £251k overspend but this was more than compensated by favourable variances identified as part of Final Accounts closure.

9.2 The net effect has been an increase in the level of the Council's reserves by £1,280k (for the general Fund) and £1,230k when non general fund reserves are included. This will provide a much needed 'buffer' in the years to come and will be discussed in far more detail within the Medium Term Financial Strategy to be considered at the next meeting of the Budget Panel.

9.3 With regard to the capital outturn, the Council continues to have an ambitious programme which includes ensuring its infrastructure/ assets are well maintained as well as seeking to move forward through investment in key projects. It needs to be appreciated however that completion of the current programme will effectively utilise all capital receipts and this situation will need to be reviewed in due course.

10.0 FINANCIAL IMPLICATIONS

10.1 These have been included within the report.

11.0 LEGAL IMPLICATIONS

11.1 There are no legal implications in the report.

12.0 POTENTIAL RISKS

Potential Risk	Likelihood	Impact	Overall Score
That the External Auditor finds material errors within the Final Accounts process	2	4	8

13.0 EQUALITIES

13.1 There are no equality implications in formally reporting the final outturn for 2011/2012.