

Cabinet Report

Report of Head of Finance

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Financial Outturn 2011/12

Recommendations

- (a) Note the overall outturn position of the Council as well as the outturn of individual service areas.*
- (b) Take into account the impact of the outturn position in the integrated service and financial planning process when setting the 2013/14 original budget.*
- (c) Note the slippage in the capital programme to 2012/13.*

Note: If councillors wish to raise specific questions please send these in advance if possible to the head of finance. If questions are not submitted in advance, it may not be possible to answer these in detail at the meeting.

Purpose of Report

1. To report the final year end position for revenue and capital expenditure against budget for the financial year 2011/12.

Strategic Objectives

2. The Council has a strategic objective to manage the business effectively, provide value for money services that meet the needs of our residents and service users and communicate the Council's activities and achievements. This report seeks to inform councillors, the community and officers of the Council's expenditure and income in 2011/12; where there were budget pressures, savings, underspends and variations in income, along with the reasons for these.

Background

3. The Original Budgeted Medium Term Plan to 2015/16 provided for gradually reducing net budget requirements funded by stable, annual Council Tax increases, with prudent use of funds and balances to help smooth out the cycle. Overall, whilst these trends will continue to strengthen the Council's financial base, they are principally dependent upon further achievement of the Council's programme of cost cutting measures.
4. The Council anticipated a small contribution to general fund balances in 2011/12, having accounted for the previously anticipated shortfall in income due to the effects of the economic downturn on the property market; low interest rates impacting on the return on our investments and the reduced level of demand for the council's income raising services (eg: market town car park usage).

Revenue outturn 2011/12

5. At the beginning of the year the council's original budget requirement was £11.521 million after accounting for investment income, but before any contributions from/to general and earmarked reserves (£11.393 million after use of reserves).
6. During the year the budget increased to £11.850 million due to the addition of budget carry forwards from 2010/11 and a supplementary estimate of £186,500 for the continuation of the council's Fit for the Future savings programme, as approved by council in December 2011.
7. The council has continued to deliver on its various savings initiatives started in previous years to further reduce the council's expenditure in support of central government's austerity programme of public sector funding cuts.
8. These savings measures have contributed to a net revenue spend for the year that was £1.067 million underspent against working budget as shown in the table below, which is in a format consistent with the council's budget book.
9. Overall, this has meant that instead of the original budgeted amount of £31,230 contribution to general fund balances in the Original Budget, the Council was, after allowing for the carry forward of budgets to 2012/13 (£0.334 million), able to increase that contribution to £0.701 million. This will therefore improve the Council's financial position going into what is likely to be yet another very challenging budget setting period when the MTFP is set for 2013/14.

	Original budget	Working budget	Actual	Variance
Table 1				
Summary of revenue budgets and variances	£'000	£'000	£'000	£'000
Corporate management team	610	834	632	(202)
Corporate strategy	4,386	4,459	4,385	(74)
Economy leisure and property	1,373	1,582	1,419	(163)
Finance	3,011	1,894	1,974	80
Housing and health	1,210	1,321	1,138	(183)
HR, IT and customer services	1,530	2,041	2,076	35
Legal and democratic services	767	979	791	(188)
Planning	709	815	413	(402)
Net cost of services	13,596	13,925	12,828	(1,097)
Investment income	(372)	(372)	(413)	(41)
Property income	(1,561)	(1,561)	(1,491)	70
Other revenue grants	(142)	(142)	(141)	1
Net expenditure	11,521	11,850	10,783	(1,067)

The figures for Finance include the budget for Contingency, for which, at year end £98,080 remained unspent. The original budget for Finance also included £0.94 million of funding to cover costs arising from the below 4th tier restructuring, which was reallocated across the respective service teams throughout the year.

The variations between budgeted and actual income and expenditure can be summarised as follows:

Table 2		Classification			
		Gross income variance (over)/under-achievement of income	Employee expenditure variance over/ (under-spend)	Other gross expenditure variance over/ (under-spend)	Under-spends c/fwd to 2012/13
Summary of major variances against budget	Variance	£'000	£'000	£'000	£'000
Corporate management team	(202)	(2)	(33)	(16)	(151)
Corporate strategy	(74)	(266)	36	227	(71)
Economy leisure and property	(163)	(125)	(35)	1	(4)
Finance	80	(1,135)	(101)	1,316	0
Housing and health	(183)	(87)	(41)	(21)	(34)
HR, IT and customer services	35	11	64	(34)	(6)
Legal and democratic services	(188)	(110)	(87)	57	(48)
Planning	(402)	(157)	(132)	(93)	(20)
Net cost of services	(1,097)	(1,871)	(329)	1,437	(334)
Investment income	(41)	(41)	0	0	0
Property income	70	(130)	0	200	0
Other revenue grants	1	1	0	0	0
Net expenditure	(1,067)	(2,041)	(329)	1,637	(334)

The major variations in respect of gross income and other gross expenditure items are detailed in the table below. These are before any carry forward of budgets to 2012/13.

Analysis of major income variances			
Service area	Cost centre	Description	£'000
Corporate strategy	Recycling [CL71]	Greater than anticipated rates of recycling resulting in greater landfill diversion credits under first full year of new waste contract. See related expenditure variance.	(246)
Economy leisure and property	Car park operations [CP21]	Reduction in car park income due to economic conditions and introduction of two hours free parking from December 2011	91
Economy leisure and property	General property [PS41]	Unbudgeted recharge to developers' property consultants costs on the Abbey Shopping Centre redevelopment. Higher than anticipated service charges received	(77)
Finance	Business rates [RS32]	Contribution from Active Nation related to award in year of backdated discretionary rate relief	(68)
Finance	Housing and council tax benefits [RS42/3]	Net increase in subsidy income receivable in respect of the award of housing and council tax benefits. See related expenditure variance.	(1,043)
Housing and health	Temporary accommodation [HM31]	Increased levels of temporary accommodation housing benefits subsidy receivable. See related expenditure variance.	(87)
Legal and democratic services	Local land charges [LG21]	Increased levels of income due to higher than anticipated search volumes.	(71)
Planning	Development Management [DC11]	Higher than anticipated levels of planning fee income, the bulk of which relates to the Grove Airfield development.	(150)
		Net balance of gross income variance, individually below £50,000	(1,651) (220)
		Gross income variance included within net cost of services	(1,871)

Analysis of major gross employee and other expenditure variances			
Service area	Cost centre	Description	£'000
Corporate strategy	Brown bin recycling [CL41]	Greater than anticipated take up of garden waste service, resulting in higher than budgeted costs of collection.	65
Corporate strategy	Street cleansing [CL61]	Overspend due to unforeseen bonus payment for street cleansing and costs of rapid reaction crew not included in budget.	100
Corporate strategy	Recycling [CL71]	Higher than anticipated contract costs due to greater than forecast recycling rates. See related income variance.	225
Corporate strategy	Corporate communications [CM31]	Savings arising from ceasing to publish UnValed and reduction in discretionary advertising.	(58)
Economy leisure and property	Excess charges administration [CP31]	Reduction in direct staffing costs due to car park inspector vacancies	(55)
Finance	Benefits administration [RS41]	Bonus payments expected to become payable to contractor for achievement of agreed 2010/11 and 2011/12 performance indicators in respect of council tax, business rates and benefits administration.	206
Finance	Housing and council tax benefits [RS42/3]	Net increase in costs of award of housing and council tax benefits. See related income variance.	957
Finance	Contingency [SB31]	Balance of central contingency budget not utilised	(98)
Finance	Agreed costs and savings [SB32]	Central savings targets not allocated against related service team budgets	151
Finance	Pension deficit recovery [SB41]	Budget for superannuation contributions payable to the County Council was set by reference to an estimate to actuarial assumptions, which were subsequently revised downwards.	(90)
Housing and health	Temporary accommodation [HM31]	Lower costs of nightly paid accommodation due to increased use of own temporary accommodation housing stock rather than bed and breakfast accommodation	(75)
Housing and health	Temporary accommodation [HM31]	Greater than budgeted costs of temporary accommodation funded through housing benefit subsidy. See related income variance.	87
HR, IT and customer services	Unapportioned overheads [SB21]	Variance due to costs of staff restructuring recognised in year.	198
Legal and democratic services	District and parish elections [EL13]	Referendum on electoral reform took place on same day as district and parish elections so costs lower than expected.	(78)
Planning	Development Policy [DP01]	Savings due to in-year vacancies	(67)
Planning	Development Policy [DP01]	Reduced expenditure on local development framework due to elections in year	(83)
		Net balance of gross income variance, individually below £50,000	1,385 (277)
		Gross expenditure variance included within net cost of services	1,108

Analysis of major budget carry forwards			
Service area	Cost centre	Description	£'000
Corporate management team	Fit for the future [CH41]	Budget for phase three of the fit for the future programme. Phase three of this began in December 2011 and is due to run throughout the next 12 months.	(140)
Corporate strategy	Progress through partnership [CG21]	Budget funded through Local Area Agreement Reward grant. Carry forward of unspent budget into 2012/13 to cover committed costs of the Vale Partnerships community places project.	(71)
		Balance of budget carried forward into 2012/13, individually below £50,000	(211) (123)
		Total amount of budget carried forward	(334)

10. Appendix 1 shows the forecast outturn predicted by service areas at the end of financial quarter 3 as at 31 December 2011, and the eventual actual outturn position.

Capital

11. The original capital budget for 2011/12 was agreed in February 2011 at £5,176,917 with expected receipts from grants and contributions of £510,000.

12. In September 2011, the outturn report for 2010/11 was presented to the Cabinet; in this report, budget slippage from the 2010/11 programme to 2011/12 programme amounting to £486,761 was agreed with £229,409 of this being funded from grants and contributions. In addition, £24,212 of budget for Community Safety Projects was added to the 2011/12 programme, funded by capital grant. Therefore the 2011/12 working budget became £5,687,890 of which £849,590 was funded from grants and contributions. There were no further adjustments agreed in the year.

13. When setting the capital budget for 2012/13, the February budget-setting report showed some slippage into 2012/13 with expected capital expenditure in 2011/12 of £3,826,751

14. The reduction in planned spend for 2011/12 was due to a combination of slippage and scheme cancellations. Major projects that have slipped and had budgets carried over included the scheme to develop additional plots at the mobile home park (£740k). There is uncertainty over the level of spend likely on this scheme as it is not known at this stage whether it is permissible for the council to develop plots for sale at a profit.

15. In addition, a number of schemes did not proceed such as the Wantage market place redevelopment (£250k) and transfer of Wantage Manor Park to Wantage Town Council (£525k).

16. Flood prevention budgets were reduced by £215k, of which roughly £80k was due to non-approval of Defra funding, with the balance due to slippage within the programme as some planned spend is linked to Environment Agency maintenance work which has been delayed.

17. The final figure for actual capital expenditure in 2011/12 was £2,846,504. The summary of this outturn is at Appendix 2 to this report. There was further slippage of expenditure into 2012/13 amounting to £1,100,650; as shown in this appendix. There is a carry forward of grants and contributions towards this expenditure of £170,100.

Financial, legal and any other implications

18. The financial implications are as set out in the body of the report. There are no other implications of this report.

Conclusion

19. Despite the backdrop of the economic downturn and a significant drop in income, the Council has contributed £0.701 million to the council's general reserves – as opposed to an anticipated contribution to reserves of £31,230. This a better position than budgeted, and means the General Fund of the Council is in a healthier position than previously predicted. There still is, however, significant pressure on the level of reserves in the council's medium term financial plan over the next five year and beyond.

20. Although the outturn position is different from the original opening budget estimate, budget holders in the service areas had been forecasting an underspend in the final budget monitoring reported for 2011/12 (quarter 3). The movement from the quarter 3 estimates to the actual year end position is as shown in Appendix 1 to this report.

Appendices:

1. Analysis of movement in revenue outturn from Q3 budget estimates
2. Capital outturn 2011/12

Background Papers

None