# Executive Report

Vale of White Horse District Council

**REPORT NO**
38/10

Report of Head of Finance

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To: EXECUTIVE

DATE: 3 September 2010

# Revenue Budget Outturn 2009/10

## Recommendation(s)

*(a) Note the overall outturn position of the Council as well as the outturn of individual service areas and cost centre: and,*

*(b) Take into account the impact of the outturn position in the integrated service and financial planning process when setting the 2011/12 original budget.*

## Purpose of Report

1. The report details the revenue expenditure position for 2009/10. The report is submitted to the Executive to assist it in fulfilling its service delivery and budget management roles. The report may also be submitted to the Scrutiny Committee to assist it to review Council performance.

## 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 as to what the Council received and spent in 2009/10, where there were budget pressures and under-spends and the reasons for these.

## Financial performance 2009/10

3. The original Medium Term Financial Plan (MTFP) to 2011/12 provided for gradually increasing costs of service provision, against stable annual Council Tax increases, with the use of funds and balances to help smooth out the cycle. The MTFP

projected a strengthening of the Council's financial position. However, this is principally dependent upon achievement of the Council's ambitious programme of cost cutting measures.

When setting the 2009/10 budget the Council projected a shortfall in income due to the continuing effects of the economic downturn on the property market; record low interest rates reducing the return on our investments and a continued reduction in market town car park usage and income. These factors meant that, despite a cut-back on all non-essential expenditure, an additional £1.747 million (revised to £1.656 million in year) was initially budgeted as the contribution that would be required from balances to support the budget in 2009/10.

## Revenue outturn 2009/10

4. The Council set a net budget requirement of £12.665 million and Executive approved carry forward of budgets and in-year adjustments amounting to £0.326 million. As a consequence the net budget requirement (the "working budget") was £12.991.

   Net revenue spend for the year was **£1.168 million** underspent against working budget as shown in the table below, which is in a format consistent with the council's budget book. This meant that instead of the planned £1.747 million use of general fund balances, only £0.488 million was required.

| | Working Budget £'000 | Actual £'000 | Variance £'000 |
|---|---|---|---|
| Commercial Services | 3,435 | 3,614 | 179 |
| Corporate Strategy | 1,279 | 1,037 | (242) |
| Economy, Leisure & Property | 2,868 | 2,657 | (211) |
| Finance | 3,239 | 2,278 | (961) |
| HR, IT & Customer | 2,177 | 1,782 | (395) |
| Housing & Health | 1,676 | 1,594 | (82) |
| Legal & Democratic Services | 1,152 | 1,088 | (64) |
| Planning | 922 | 1,067 | 145 |
| Strategic Management | 485 | 424 | (61) |
| **Net cost of services** | **17,233** | **15,541** | **(1,692)** |
| Investment Income | (791) | (406) | 385 |
| Property Income | (1,802) | (1,663) | 139 |
| **Net Expenditure** | **14,640** | **13,472** | **(1,168)** |
| Transfer to Earmarked Reserves | 10 | 10 | 0 |
| Amount to be Financed | 14,650 | 13,482 | (1,168) |
| Write out Landsbanki impairment | 321 | 321 | 0 |
| *Contribution from Balances* | *(1,656)* | *(488)* | *1,168* |
| Capitalisation direction under statute | (324) | (324) | 0 |
| Budget Requirement | 12,991 | 12,991 | 0 |
| Parish Precepts | 2,521 | 2,521 | 0 |
| **Total Funding Requirement** | **15,512** | **15,512** | **0** |
| Funds from Council Tax | (8,022) | (8,022) | 0 |
| Revenue Support Grant | (1,317) | (1,317) | 0 |
| NNDR | (5,705) | (5,705) | 0 |
| Other Government Grants | (468) | (468) | 0 |
| **Total Funding Streams** | **(15,512)** | **(15,512)** | 0 |

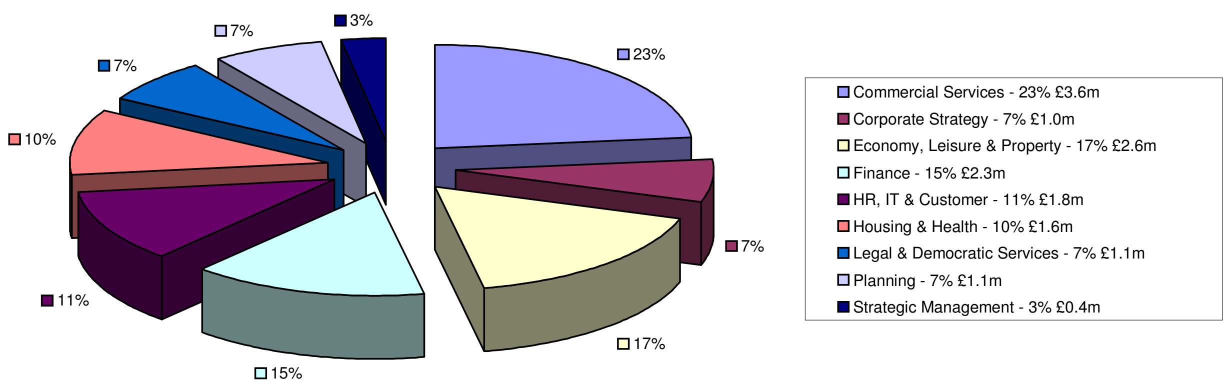
One of the main reasons for the reduced cost of services against initial budget estimates was the imposition of a strictly enforced moratorium on the supplies and services budgets of all services. This effectively put the brakes on non-essential spending in the latter half of the year as a result of the unfavourable outturn predictions in the first two quarters of budget monitoring. This was a very successful example of effective corrective action in response to financial management information.

As a result of a lower than expected use of reserves, it has been possible to write off the anticipated loss on the Landsbanki investment during 2009/10 rather than defer another year; during 2010/11 the Council would have had to make the write off by statute, and this would have added to future pressures.

This improves the Council's financial position going into what is predicted to be one of the most challenging budget setting exercises in recent years.

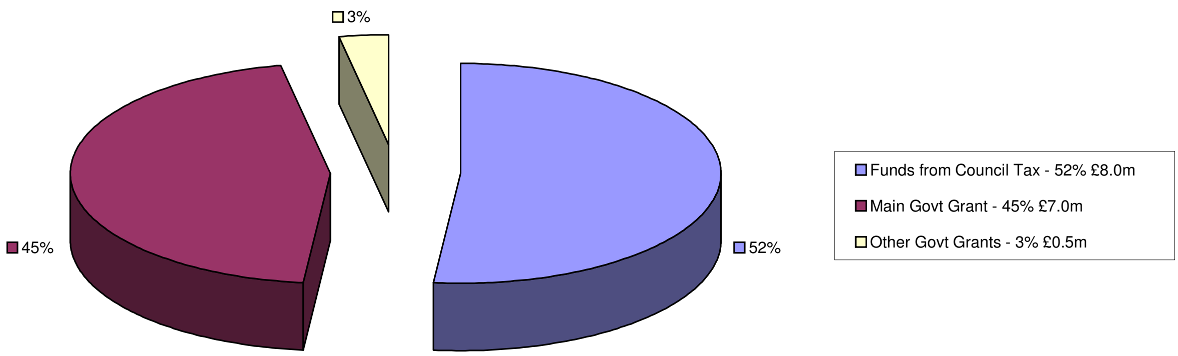
The chart below illustrates the split of the £15.5m net cost of services expenditure:

**Actual Net Cost of Service Expenditure 2009/10**




The total funding requirement is met by a number of funding streams. The split of total external funding is shown below:

**External sources of finance**




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

| | Gross income variance (over)/under £'000 | Gross employee expenditure variance over/(under) £'000 | Other gross expenditure variance over/(under) £'000 | Total variance £'000 |
|---|---|---|---|---|
| Commercial Services | 475 | (87) | (209) | 179 |
| Corporate Strategy | (8) | 1 | (235) | (242) |
| Economy, Leisure & Property | (34) | (39) | (138) | (211) |
| Finance | (3,540) | (84) | 2,663 | (961) |
| HR, IT & Customer | 8 | (127) | (276) | (395) |
| Housing & Health | 232 | (21) | (293) | (82) |
| Legal & Democratic Services | 5 | 11 | (80) | (64) |
| Planning | 232 | (18) | (69) | 145 |
| Strategic Management | (77) | 3 | 13 | (61) |
| **Net cost of service before c/fwd** | **(2,707)** | **(361)** | **1,376** | **(1,692)** |
| Investment Income | 385 | 0 | 0 | 385 |
| Property Income | (140) | 0 | 279 | 139 |
| **Net expenditure** | **(2,462)** | **(361)** | 1,655 | **(1,168)** |

The major variations in respect of gross income and other gross expenditure variances are detailed in the table below:

| **Analysis of gross income variances in excess of £50,000** | £'000 |
|---|---|
| *Income down against budget as a result of a downturn in the housing market* | |
| Building Control fees | 109 |
| Planning application fees | 193 |
| *Other income variations* | |
| Housing and Council Tax Benefit subsidy (received from central govt) ***Note 1*** | (3,484) |
| Parking fees | 53 |
| DSO services wound down ***Note 2*** | 62 |
| Reduction in reprographics income as a result of outsourcing Printing & Stationery ***Note 3*** | 127 |
| Lower than budgeted temporary accommodation income, in part due to reduced demand | 218 |
| | (2,722) |
| Net balance of gross income variances less than £50,000 | 15 |
| **Total gross income variance** | **(2,707)** |

| **Analysis of other gross expenditure variances in excess of £50,000** | |
|---|---|
| *Contract costs less than budget* | |
| Waste contract - reduction in fees linked to RPI | (86) |
| *Other expenditure variations* | |
| Contingency budget not used | (267) |
| Reduced demand for concessionary fares | (182) |
| Lower than budgeted rise in Housing Benefit bad debt ***Note 4*** | (171) |
| Reduced temporary accommodation costs due to increased focus on prevention | (163) |
| Centralisation of procurement ***Note 5*** | 70 |
| Housing and Council Tax Benefit payments made to claimants ***Note 1*** | 3,335 |
| | 2,536 |
| Net balance of gross expenditure variances less than £50,000 | (627) |
| | 1,909 |
| Agreed carry forward to 2010/11 of underspent budgets | (533) |
| **Total other gross expenditure variance** | **1,376** |

## Explanatory Notes

Note 1. There has been a greater amount of benefits paid out to claimants, which has been offset by a greater level of subsidy paid to the Council from central government (DWP).

Note 2. This was the in-year cost incurred by the closure of an expensive service – ongoing costs would far exceed the in-year cost, so its closure has achieved substantial savings.

Note 3. This income variance is due to the underachievement of income by the reprographics team following the disbandment of the Print Room. The original business case identified the cost savings, but omitted the corresponding reduction in the income budget. This was identified in budget monitoring during the year.

Note 4. This saving is a result of improved performance by Capita in the recovery of overpayments and debts relating to housing benefit and therefore a lower amount of bad debt was charged than expected.

Note 5. The predicted savings from the procurement hub did not materialise in-year due to delays in establishing the scheme. The savings targets have been removed from the budgets in 2010/11.

**Financial, legal and any other implications**

5. Under the Local Government Finance Act 1992 S32 paragraph 2:

   The authority must calculate the aggregate of

   (a) The expenditure the authority estimates it will incur in the year in performing its functions and will charge to a revenue account for the year;

   (b) Such allowance as the authority estimates will be appropriate for contingencies in relation to expenditure to be charged to a revenue account for the year;

   (c) The financial reserves which the authority estimates it will be appropriate to raise in the year for meeting its estimated future expenditure.

   Under the Local Government Act 2003 Part 2 S28 – the authority must review these calculations from time to time during the year.

**Conclusion**

6. Despite the backdrop of the economic downturn and a significant drop in income, the Council has:

   - reduced its anticipated call on reserves from £1.75 million to £0.49 million. Whilst this is a better position than budgeted, it still means a reduction in the General Fund of the Council. The current MTFP is set to replenish reserves over the next five years. An updated MTFP will be produced during the 2011/12 budget-setting process and approved by Council in February 2011.

   - written off against the revenue account the anticipated loss on the Landsbanki investment (this is a year earlier than the statutory requirement in order to reduce pressure on the 2010/11 accounts).

This has been achieved primarily due to a strict moratorium on non-essential supplies and services expenditure introduced in September 2009 and maintained until the end of the Financial Year.

## Background Papers

- Annual Statement of Accounts 2009/10 (currently being audited by the District Audit)