

Executive

11 February 2011

Report of Head of Finance

Author: Bob Watson, Chief Accountant

Telephone: 0044 1235 540426

Textphone:

E-mail: bob.watson@southandvale.gov.uk

Wards affected: All

Executive member responsible: Richard Webber

Tel: 01235 534001

E-mail: richard.webber@whitehorsedc.gov.uk

To: EXECUTIVE

DATE: 11 February 2011

Report No. 103/10

Budget Monitoring – Quarter 3

Recommendation

To note the current position and forecast of outturn by the services.

Purpose of Report

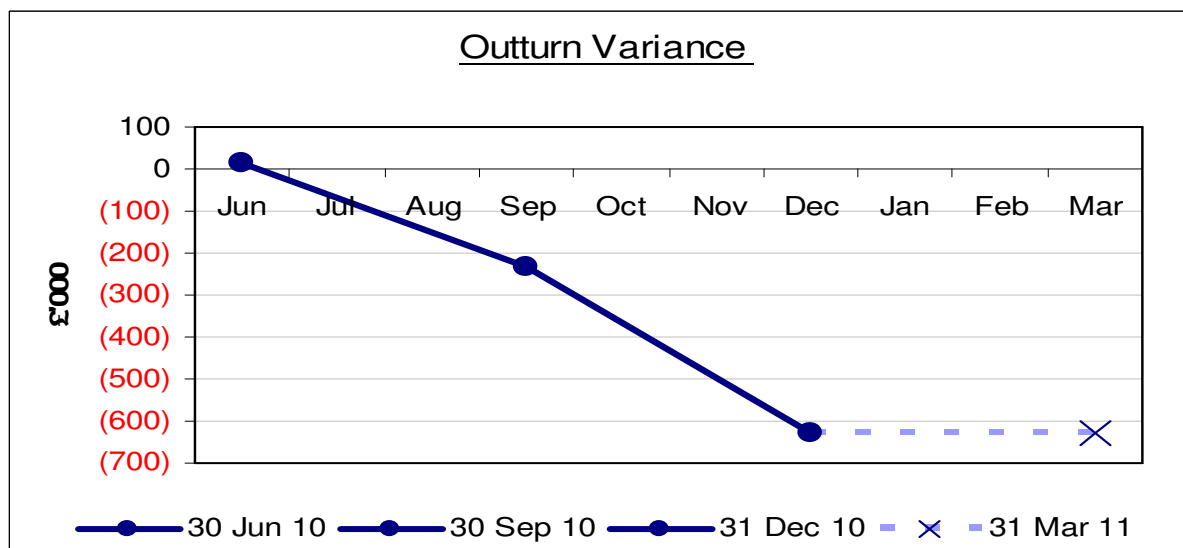
1. The report details the current revenue and capital expenditure position for the first three quarters of financial year (fy) 2010/11. The report is submitted to the Executive to assist it in fulfilling its service delivery and budget management roles.

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 the committee of the current position of the council with regard to budget, expenditure to date, committed expenditure and the forecasted year-end outturn. The report also highlights where there are budget pressures and potential under-spends, with the reasons for these.
3. Both the revenue and capital positions to date and the forecasted outturn position are covered in this report. Budget is as set by council and includes approved virements to date; actual income and expenditure figures are derived from the Council's general ledger system and the predicted outturn with explanation of variances are provided by the budget holders within the service areas.

Revenue Budget Monitoring Report

4. Budget monitoring for the first three quarters of 2010/11 (1 Apr – 31 Dec 10) indicates that, at the date of this report, the Council is predicting an underspend by year end of £666,080 (Qtr 2 was predicting an underspend on the budgets of £234,164).

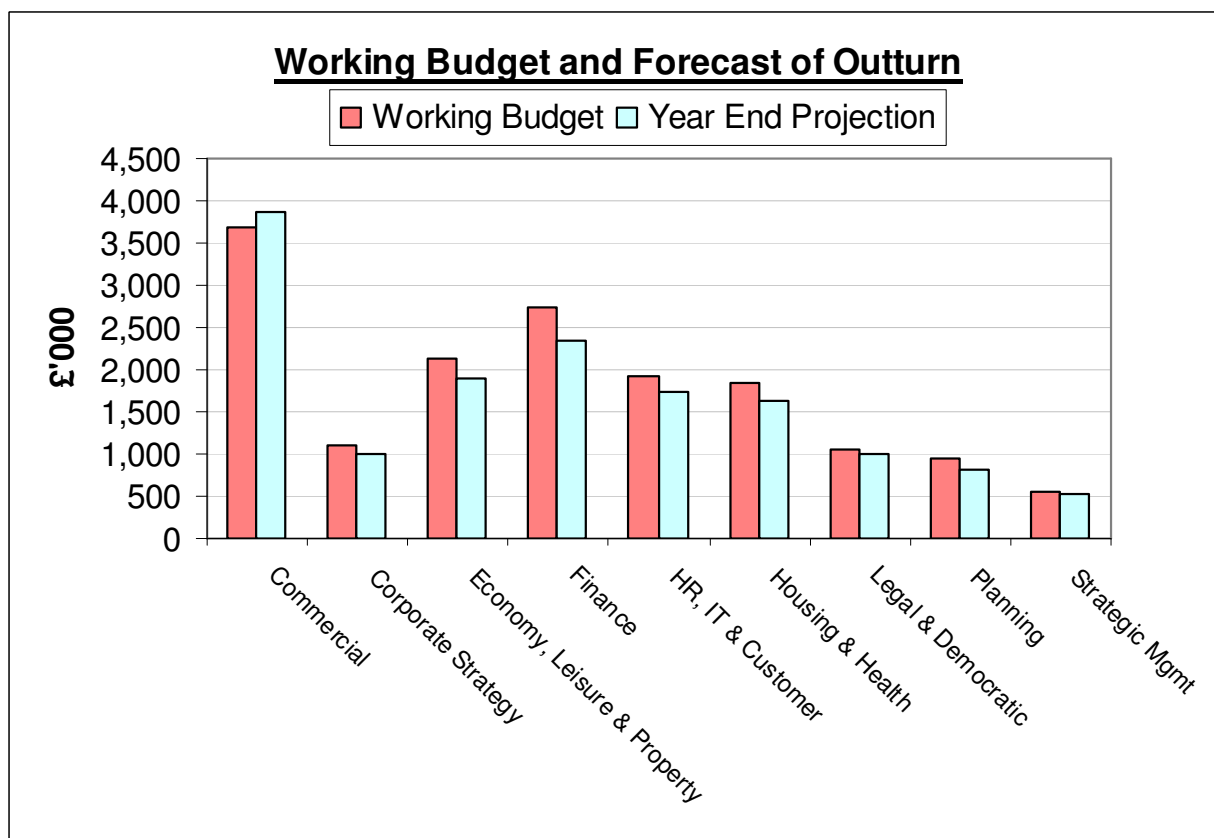


5. Service areas are reporting a net predicted outturn of £1,144,290 under budget but this is reduced by a predicted “below the line” pressure of £514,530 due to lower than budgeted income from investments and the withdrawal by central government of the Housing and Planning Deliver Grant (HPDG) and Local Area Business Growth Incentive (LABGI). The underspend is then further reduced by the unbudgeted net effect of the below fourth tier staff savings initiative by £213,680. This is however offset by the contingency budget which, on current estimates, will have £250,000 unapplied by year end.

Table 1 – Outturn forecast by Service Area as at 30 Sep 10

(all figures in £'000)

	Working Budget	Actuals & Commitments (31 Dec 10)	Year End Projection	Year End Variance
Commercial	3,686	1,578	3,879	194
Corporate Strategy	1,103	823	1,002	(101)
Economy, Leisure & Property	2,121	1,668	1,894	(228)
Finance	2,738	5,364	2,341	(397)
HR, IT & Customer	1,925	1,376	1,730	(196)
Housing & Health	1,848	1,177	1,626	(221)
Legal & Democratic	1,047	694	998	(49)
Planning	952	735	826	(125)
Strategic Mgmt	554	427	532	(22)
	15,973	13,842	14,828	(1,144)
Below the Line	(2,381)	(1,384)	(1,867)	515
	13,592	12,457	12,961	(630)
Net below 4 th tier costs				214
Contingency				(250)
				(666)



6. The main variances within the individual service areas are highlighted in the table below, which shows the variance against the gross expenditure and income budget lines within the services. Significant elements of the savings are a direct result of cost reduction measures being implemented.

Table 2 – Detail by Service Area of main variances

Commercial services	£000
<u>Expenditure</u>	
Salary and running expense savings. Building control budget savings £91k - redundancy budget not required.	(155)
<u>Income</u>	
Shortfall on income - car parking, waste recycling credit, garden waste, bulky waste. Building control surplus to balance sheet increased (recorded in income range).	349
	<u>194</u>
Corporate strategy	
<u>Expenditure</u>	
Underspend on advertising, printing and CCTV operator pension costs. Also, there a decision has been made not to fund any adaptation projects carried out by teams which has resulted in an underspend. The variance excludes unbudgeted redundancy costs of £54k and below 4th tier savings of £38k.	(104)
<u>Income</u>	
Mainly one off income from Sovereign Vale Housing Association	3
	<u>(101)</u>
Economy, Leisure and Property	
<u>Expenditure</u>	
Mainly due to salary savings in Business Support Unit, Direct Services, Facilities, Estates Management, Civic Hall and Guildhall following redundancies plus other resulting cost reductions. However the variance excludes unfunded redundancy costs of £125k and below 4th tier savings of £25k.	(277)

<u>Income</u>		
Reduced income from room hire at Guildhall and Civic Hall (£22k) and reduced bar income (£19k) although partly offset by lower costs), reduced contributions of £15k for Sports Development (but again offset by reduction in expenditure). Higher income from recharges for Business Support Unit (£15k).		(49)
		<u>(228)</u>
Finance		
<u>Expenditure</u>		
Mainly due to increased expenditure on Housing and Council tax benefits (now est at £449k, although effects are mitigated by increased subsidy receivable). An overspend of around £18k is projected on the provision of the Payroll function, due to work on the Payroll Action Plan. Underspends are expected in respect of Assisted Travel costs (£99k), and salaries due to maternity and part-year vacancies (£54k). Other main underspends include lower than budgeted expenditure on discretionary rate relief (£17k) and variance on past service pension costs.		220
<u>Income</u>		
Mainly due to increased subsidy in support of Housing and Council Tax Benefits		(617)
		<u>(397)</u>
HT, IT & Customer		
<u>Expenditure</u>		
Mainly the result of savings arising from the early closure of Wantage LSP and staffing changes arising through restructuring.		(196)
<u>Income</u>		
-		-
		<u>(196)</u>
Housing & Health		
<u>Expenditure</u>		
Lower than anticipated cost of benefits payable to temporary accommodation clients and expenditure on costs of nightly paid accommodation, in addition to a number of smaller other variances.		(449)
<u>Income</u>		
Lower than anticipated levels of temporary accommodation subsidy receivable and reduction in rental income due to reduced number of TA cases.		228
		<u>(221)</u>
Legal & Democratic		
<u>Expenditure</u>		
Mainly due to a reduction in direct salary costs from in-year vacancies.		(23)
<u>Income</u>		
Bulk of variance relates to projected outturn for election costs reimbursed by local and central government.		(26)
		<u>(49)</u>
Planning		
<u>Expenditure</u>		
Mainly due to salary savings (£146k) and other minor savings (£22k) but consultants fees overspent by £15k.		(153)
<u>Income</u>		
Reduction in planning fees received		28
		<u>(125)</u>
Strategic management		
<u>Expenditure</u>		
CAA work has been put on hold resulting in reduced audit fees		(22)
<u>Income</u>		
-		0
		<u>(22)</u>
Contingency		
-		-
		<u>(250)</u>

Below the line

Investment income interest – shortfall due to continuing lower rates than expected	270
Property Trading Income – unrecoverable rates	55
Housing and Planning Delivery Grant – cancelled by central government	150
Local Area Business Growth Incentive (LABGI) – cancelled by central government	40
	<hr/> 515 <hr/>
Net effect of unbudgeted below fourth tier restructure (severance costs)	<hr/> 214 <hr/>

Current underspend against budget predicted in year (666)

Capital Budget Monitoring Report

- Capital budget monitoring for the first three quarters of 2010/11 (1 Apr – 31 Dec 10) indicates that of the capital programme expenditure budget of £5.99 million (includes carry forwards); to date £3.53 million (Sep 10 was £2.87 million) has been spent (58.9%). Budget holders have indicated expected expenditure at year end of £4.50 million and consequently identified £1.49 million of budget that will need to be carried forward to 2011/12. This is funded by £0.85 million of external grants and contributions with the balance of £3.65 million funded from the council's capital reserves. The detailed capital programme as at 31 Dec 10 is attached at Appendix 1.
- There is a predicted pressure on the capital budget for the purchase of wheel bins for the new waste contract – this is nearly £0.35 million over budget and there is likely to be further £230,000 spend for the capitalisation of the delivery costs.
- The Council remains within the confines of its Prudential Indicators as specified in the 'Yellow Pages' agreed by Council in Feb 10. The Council also remains well within its operational debt boundaries.

Financial Implications

- Any variance in the outturn position from the budget will have an impact on the council's level of reserves.

Legal Implications

- This is an information report and there are no legal implications.

Risks

- Failure to manage budgets on a regular and adequate basis, and take appropriate action where necessary, could lead to a greater call on the council's reserve balances than were originally anticipated in the Medium Term Financial Plan (MTFP).

Other implications

- Any change in the planned reserve levels in the MTFP could affect future budgets.

Conclusion

14. Current revenue outturn prediction is £666,080 underspend (4.9% of net budget).

Appendix

1. Capital Programme and expenditure as at 31 Dec 10

Background Papers

- Executive Budget Proposal 2010/11 (Yellow Pages) approved by Council on 17 February 2010.