Cabinet Report

REPORT NO 21/11

Report of Head of Finance

Author: Bob Watson, Chief Accountant

Telephone: 01235 540426

Textphone: 18001 01235 540426

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

Wards affected: All

Cabinet member responsible: Matthew Barber

Tel: 01235 540391

E-mail: matthew.barber@whitehorsedc.gov.uk

To: Cabinet

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Budget Monitoring – first quarter 2011/12

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 quarter of financial year (fy) 2011/12. The report is submitted to the Cabinet 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. The 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 quarter of 2011/12 (1 Apr – 30 Jun) indicates that, at the date of this report, the Council is predicting an over spend of £352,119 by year end.

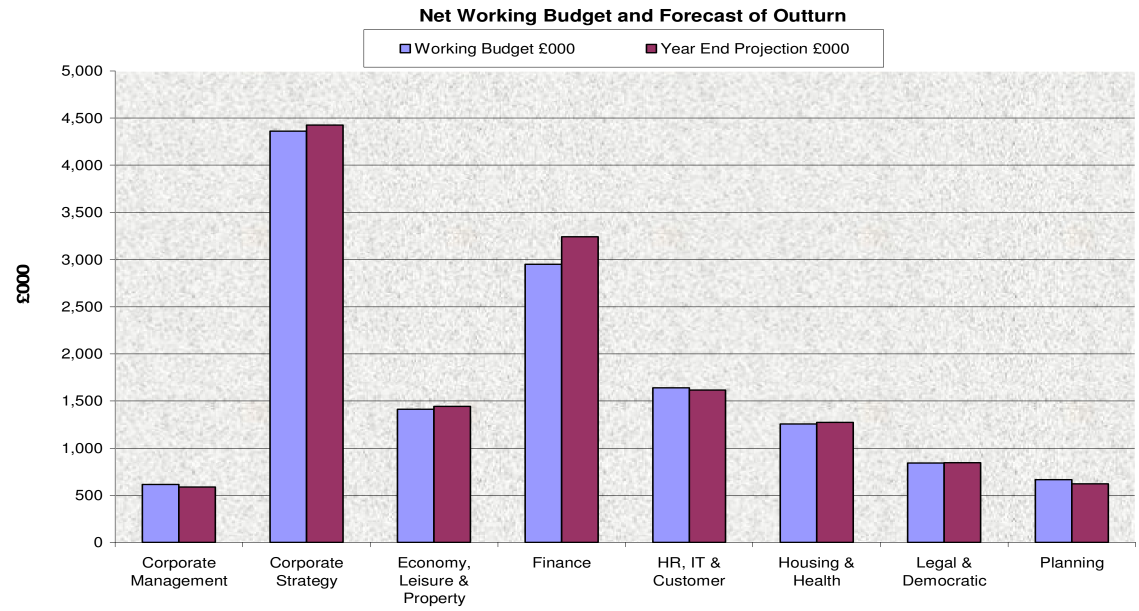
5. It is not good to have this level of predicted overspend, therefore this report services as an 'amber warning', however quarter 1 is notoriously volatile and will need to see the position at the end of quarter 2, which will feed into the budget setting process. Heads of service will continue to analyse the reasons for the variances, but there is no cause for panic at this time.

6. Service areas are reporting a net predicted outturn of £130,869 over budget and in addition to this there is £221,250 of 'below the line' pressure, which relates to contingency and property investment income. The contingency budget assumed that we would receive £162,000 of additional income due to having the freedom to be able to increase our planning fees; this is now unlikely to happen due to limitations on the scope to increase the fees and delays in approval from central government. The contingency budget also included revenue savings from a capital scheme for Manor Park, Wantage which now looks unlikely to happen. Property income is also less than budgeted due to rent starting to be received later than anticipated for Telfer House.

Table 1 – Outturn forecast by Service Area as at 30 Jun 11

(all figures in £'000)

	Working Budget	Actuals & Commitments (30 Jun11)	Year End Projection	Year End Variance
Corporate Strategy	4,361	738	4,427	66
Economy, Leisure & Property	1,411	261	1,441	30
Finance	1,947	5,001	2,053	106
HR, IT & Customer	1,641	372	1,615	(25)
Housing & Health	1,255	391	1,272	17
Legal & Democratic	841	266	844	3
Planning	664	107	623	(41)
Corporate Management	614	468	589	(25)
	12,734	**7,604**	**12,866**	**131**
Below the Line				
Contingency	1,005	0	1,187	182
Property Income	(2,075)	(596)	(2,036)	39
Total	**11,664**	**7,008**	**12,016**	**352**



7. 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

	£000
Corporate strategy	
Expenditure	
The main over spend relates to increased waste contract costs because of an increased number of customers on the garden waste scheme. The waste contract costs continue to be carefully monitored and reviewed.	41
Income	
Mainly due to an under achievement on bulky waste collections income and recycling credits are lower than expected. The recycling credits are based on estimated tonnages and so this position will change throughout the year as the predicted tonnages become actuals.	25
	66
Economy, Leisure and Property	
Expenditure	
Half of the variance is due to savings on vacant posts within ELP support. The remaining under spend is made up of small savings within a number of cost centres.	(70)
Income	
£75k of the under achievement of income is due to the introduction of 2 hours free parking from December 2011. There is also a predicted £14k reduction in income from the Wantage Civic Hall bar, which is partly offset by a £8k reduction in purchases of bar stock. Also, there is a £10k reduction in utility recharges to SOLL for Abbey Meadows Pool as SOLL are now responsible for paying utilities directly. This is again offset by a reduction in expenditure.	100
	30
Finance	
Expenditure	
£1,046k of the variance is due to net increased expenditure on Housing and Council Tax Benefits, although this is mitigated by increased subsidy income. Other main variances include savings estimated on the Capita contract, which is due to lower than budgeted sharing arrangements of additional Benefits Admin grant and reduction in costs due to contract extension - £56k	990
Income	
Variance is mainly a result of increased subsidy receivable for Housing and Council Tax Benefits due to a rise in related expenditure.	(884)

	106
HT, IT & Customer	
Expenditure £10k estimated saving on temporary staff costs for the IT investment Plan due to delays in recruitment. There is also £7k of reduced expenditure on recruitment related expenditure, such as medical certificates and advertising costs, along with sundry savings on training costs.	(22)
Income There is a forecast reduction in address management fees, which is offset by unbudgeted recharge income to Capita for support services.	(3)
	(25)
Housing & Health	
Expenditure Variance is principally due to estimated net savings on direct salary costs (part year vacancies), which is offset by greater than budgeted expenditure on temporary accommodation (see related income variance). One-off costs and delayed savings relating to staff costs the pending Housing Needs restructure (due to be implemented on 1 Nov 11) amount to £77.5k and are included in this figure.	85
Income Variance is due to a forecast increase in temporary accommodation subsidy income. This is a forecast provided by Capita; we believe the variance is due to beneficial changes in the subsidy scheme, but this is still to be confirmed in detail.	(68)
	17
Legal & Democratic	
Expenditure Variance mainly relates to a vacant post in Community Safety, and this has been subsequently removed from the establishment.	(23)
Income The variance is due to a reduction in the Community Safety Partnership (CSP) grant. It has been reduced due to the removal of the post in Community Safety (as noted above), and due to changes with the treatment of pension costs on recharges.	26
	3
Planning	
Expenditure Variance is due to salary savings in Building Control, Development Management and Development Policy.	(46)
Income Building control income is forecast to be £5k under budget. This income is carefully monitored and will be reviewed through the year.	5
	(41)
Strategic management	
Expenditure The variance is mainly due to the temporary transfer of a post to the Brown Bin Project.	(25)
Income -	0
	(25)
Contingency	
Contingency is split into two pots – “earmarked” contingency funds to be allocated pending confirmation of their requirements (ie: budgeted amounts for which the actual details are still to be firmed up) and an ‘unallocated’ amount for unexpected pressures on budgets (not requiring a supplementary budget estimate). The forecast includes a pressure on former of these pots and it is currently presumed that the unallocated contingency is fully utilised in year. The “earmarked” contingency budget assumed £162k of increased income due to the ability to increase planning fees. However, the scope for increase is now likely to be limited, and there are delays from central government in approving these changes to the planning fees. The “earmarked”	**182**

budget also included £50k revenue saving as a result of the capital scheme for Manor Park - this now looks unlikely to happen – see paragraph 7 below.	
Below the line	
Property Trading Income – Telfer House now let but rent won't be received until later in the year than budgeted for.	39
Current over spend against budget predicted in year	**352**

Capital Budget Monitoring Report

8. The capital programme expenditure budget was agreed for the year at £5,176,917 and £24,212 of Community Safety Partnership grants entirely funded from grant income has been added. £636,761 was unspent in 2010/11 and has been carried over to the current year giving a total budget in 2011/12 of £5,837,890. The capital grant of £525,000 to Wantage Town Council is not likely to be paid as this was dependent on the transfer of Wantage Manor Park, which is not now likely to occur.

9. Expenditure to the end of June amounted to £1,763,246 (30% of budget) but this is distorted a little because it includes the £1.2 million capital grant paid to Abingdon Town Council at the beginning of the year on the transfer of the Guildhall. No projected overspends or underspends are being reported by services as at the end of June 2011.

10. The Council remains within the confines of its Prudential Indicators as specified in the 'Yellow Pages' agreed by Council in Feb 11. The Council also remains within its operational debt boundary.

Financial Implications

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

Legal Implications

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

Risks

13. 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

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

Conclusion

15. Current revenue outturn prediction is £352,119 over spend (3.02% of net budget). Forecasted capital outturn is as per budget.

Background Papers

- Executive Budget Proposal 2011/12 (Yellow Pages) approved by Council on 23 February 2011.