

# Cabinet Report

Report of Head of Finance

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To: Cabinet

DATE: 9 September 2011

## Financial Outturn 2010/11

### Recommendation(s)

- (a) *Note the overall outturn position of the Council as well as the outturn of individual service areas and cost centre.*
- (b) *Take into account the impact of the outturn position in the integrated service and financial planning process when setting the 2012/13 original budget.*
- (c) *Note the slippage in the capital programme to 2011/12.*

Note: If councillors wish to raise specific questions, please send these in advance if possible to either the committee clerk or the report author. If questions are not submitted in advance, it may not be possible to answer these in detail at the meeting

### Purpose of Report

1. The report details the revenue expenditure position for 2010/11. The report is submitted to the Cabinet to assist it in fulfilling its service delivery and budget management roles. The report will also be submitted to the Scrutiny Committee to assist it to review Council performance and to the Audit & Governance Committee this year.

### 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 spent in 2010/11, where there were budget pressures and under-spends and the reasons for these.

## Background

3. The Original Budgeted Medium Term Plan to 2014/15 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 these trends will strengthen the Council's financial base however they are principally dependent upon achievement of the Council's programme of cost cutting measures.
4. The Council anticipated a shortfall in income due to the continuing effects of the economic downturn on the property market; continuing record low interest rates reducing the return on our investments and a reduction in demand for the council's income raising services (eg: market town car park usage). These factors meant that as well as savings amounting to nearly £800,000, an additional £464,370 was initially budgeted as the contribution required from the council's general reserve to support the revenue budget in 2010/11.

## Revenue outturn 2010/11

5. At the beginning of the year the council's original budget requirement was £12.875 million after accounting for the use of reserves and investment income. The original budget is adjusted during the year from that set in the preceding February by Council to take account of virements, carry forwards, supplementary estimates and budget transfers, to provide a 'working budget' that services monitor against. The working budget requirement was amended to £12.904 million during the year.
6. Various savings initiatives have been implemented during 2010/11 with the intention of reducing the council's expenditure in the light of reduced government funding from 2011/12 onwards. These have delivered in-year savings in 2010/11. The initiatives include fit for the future, below 4<sup>th</sup> tier management restructuring and a six month recruitment moratorium for most vacant posts.
7. The effect of these savings measures has meant that net revenue spend for the year was £1.654 million underspent against working budget as shown in the table below, which is in a format consistent with the council's budget book.
8. Overall, this has meant that instead of the original budgeted amount of £464,370 use of general fund balances in the Original Budget, the Council was, instead, able to make a contribution of £1.163 million to General Fund balances. 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 2012/13.

	<b>Working Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Commercial Services	3,690	3,664	(26)
Corporate Strategy	1,103	895	(208)
Economy, Leisure and Property	2,187	2,003	(184)
Finance (including Contingency budgets)	3,204	2,246	(958)
HR, ICT and Customer Services	1,789	1,560	(229)
Health and Housing	1,848	1,529	(319)
Legal and Democratic Services	1,047	961	(86)
Planning	951	939	(12)
Corporate Management	692	549	(143)
<b>Net Cost of Services</b>	<b>16,511</b>	<b>14,346</b>	<b>(2,165)</b>

	Working Budget	Actual	Variance
	£000	£000	£000
Investment income	(490)	(320)	170
Property income	(1,672)	(1,521)	151
Other revenue grants	(190)	0	190
<b>Net Expenditure</b>	<b>14,159</b>	<b>12,505</b>	<b>(1,654)</b>
Capitalisation direction under statute	0	(189)	(189)
Transfer from earmarked reserves (other than general fund balances)	(257)	(522)	(265)
<b>Amount to be financed</b>	<b>13,902</b>	<b>11,794</b>	<b>(2,108)</b>
Contribution (from)/to balances	(998)	1,163	2,161
<b>Budget requirement</b>	<b>12,904</b>	<b>12,957</b>	<b>53</b>
Parish precepts	2,864	2,864	0
<b>Total Funding Requirements</b>	<b>15,768</b>	<b>15,821</b>	<b>53</b>

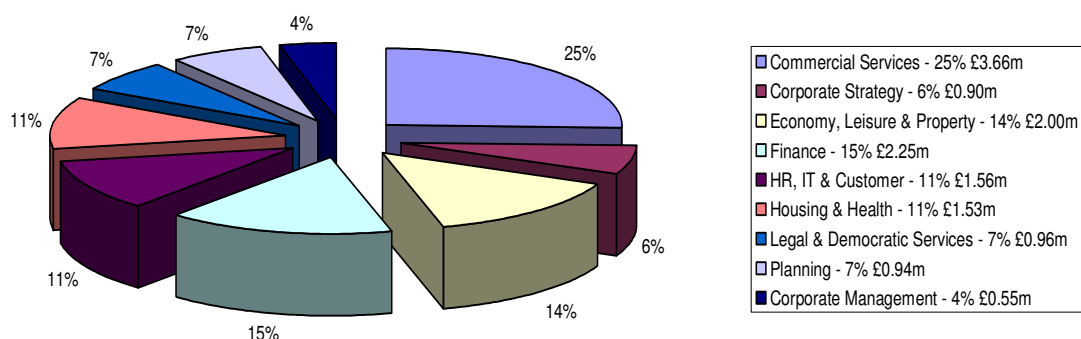
  

	Working Budget	Actual	Variance
	£000	£000	£000
Funds from council tax	(8,609)	(8,609)	0
Revenue support grant	(904)	(904)	0
National non-domestic rates	(6,226)	(6,226)	0
Other Government grants	(29)	(82)	(53)
<b>Total Funding Streams</b>	<b>(15,768)</b>	<b>(15,821)</b>	<b>(53)</b>

The figures for Finance include the budget for Contingency, for which, at year end £465,990 remained unspent.

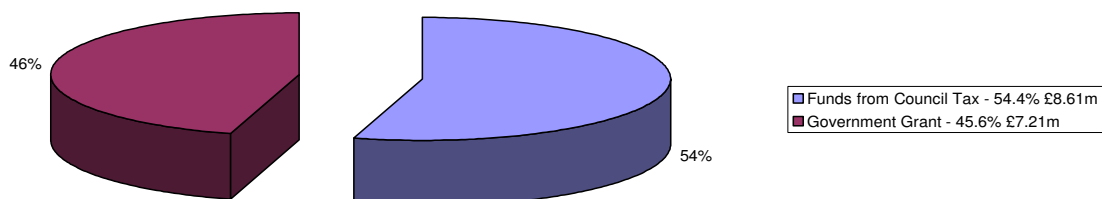
The chart below illustrates the split of the £14.35m net cost of services expenditure:

Net cost of service 2010/11



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 2010/11



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

	Gross income variance (over)/under	Gross employee expenditure variance over/(under)	Other gross expenditure variance over/(under)	Total variance
	£000	£000	£000	£000
Commercial Services	108	(106)	(27)	(25)
Corporate Strategy	(54)	(32)	(123)	(209)
Economy, Leisure & Property	(130)	(56)	2	(184)
Finance	(847)	(172)	61	(958)
HR, IT & Customer	(48)	(231)	50	(229)
Housing & Health	197	(12)	(504)	(319)
Legal & Democratic Services	(43)	(51)	8	(86)
Planning	134	(39)	(107)	(12)
Strategic Management	(436)	39	254	(143)
<b>Net cost of service before c/fwd</b>	<b>(1,119)</b>	<b>(660)</b>	<b>(386)</b>	<b>(2,165)</b>
Investment Income	170	0	0	170
Property Trading	33	0	118	151
Housing, Planning Delivery Grant	150	0	0	150
LABGI	40	0	0	40
<b>Net expenditure</b>	<b>(726)</b>	<b>(660)</b>	<b>(268)</b>	<b>(1,654)</b>

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 2011/12.

<b><u>Analysis of major gross income variances</u></b>		
<b><u>Cost Centre</u></b>		<b><u>£'000</u></b>
<u>Fin</u> Housing Benefit, Council Tax Benefit [RS42/RS43/HM31]	Housing and Council Tax Benefits Subsidy – increases in gross subsidy receivable and the recovery of overpaid benefits from claimants were cumulatively greater than the related rise in benefit payments.	(671)
<u>Housing</u> Temporary Accommodation [HM31]	Lower than budgeted Temporary Accommodation rental income receivable from fewer homeless cases was greater than the related reduction in homelessness expenditure.	107
<u>Planning</u> Development Control DC11	Planning application fees – income reduced due to ongoing downturn in housing market.	147
<u>Corp Mngt</u> Corporate Core [SB11]	Corporate Core – Net income variance of (£174k) is due to amounts rechargeable to South Oxfordshire District Council for 4 <sup>th</sup> tier and below 4 <sup>th</sup> tier restructuring costs which were not budgeted for.	(359)
	Net balance on gross expenditure variances, individually less than £100,000	(343)
<b>Gross income variance included within Net Cost of Services</b>		<b><u>(1,119)</u></b>

<b><u>Analysis of major gross employee and other expenditure variances</u></b>		
[£660 + £386 = £1,046]		
<b><u>Cost Centres</u></b>		<b><u>£'000</u></b>
<u>Commercial</u> Building Control [BC01]	Building control – reduction in employee related costs on reorganisation of service coupled with reduced spend on non-salary budgets related to slowdown in housing market.	(104)
<u>Corp Mngt</u> Unapportioned Overheads [SB21]	Lower expenditure on past service pension costs due to reduction in claimant numbers arising as part of ongoing restructuring and change in recognition criteria for superannuation costs.	(115)
<u>Fin</u> Housing Benefit, Council tax Benefit [RS42/RS43/HM31]	Housing and Council Tax Benefits – greater expenditure on benefits to claimants than assumed in the Original Budget. Note that these costs are offset by a greater level of gross subsidy payable from central government (DWP).	467
<u>Fin</u> Assisted Transport [RS61]	Assisted Travel – reduced demand for concessionary travel.	(136)
<u>Housing</u> Temporary Accommodation [HM31]	Temporary Accommodation – lower than budgeted expenditure on TA, reflecting ongoing focus on homeless prevention. Reduction of use of TA has resulted in lower costs, however there has been a related fall in TA rental income (see above)	(176)

<u>Planning</u> Development Policy [DP01]	Development Policy – Slippage on expenditure on Local Development Framework. Underspend transferred into the Local Development Fund for use in 2011/12.	(166)
<u>Corp Mngt</u> Fit for the Future [CH41]	Fit for the Future – Greater than budgeted expenditure on ongoing efficiency programme. Note that a portion (£77k) of these gross costs are offset through sharing of expenditure with South Oxfordshire District Council.	108
<u>Corp Mngt</u> Corporate Core [SB11]	Corporate Core – See related gross income variance, above.	185
<u>Fin</u> Contingency [SB31]	Contingency – Draw on balances for possible software licence costs and dilapidation costs on termination of lease of former DSO depot did not materialise. Reduced draw on earmarked balances including those set aside to meet restructuring costs.	(466)
<u>Various</u>	Net balance of gross expenditure variances, individually less than £100,000	(643)
<b>Gross expenditure variance included within Net Cost of Services</b>		<b><u>(1,046)</u></b>

9. Appendices 1 – 9 to this report show the outturn by income and expenditure of all cost centres by service. These also contain explanations of variances in excess of £50,000.

## Capital

10. The original capital budget for 2010/11 was agreed in February 2010 at £5,682,349 with expected receipts from grants and contributions of £804,800.
11. In July 2010, the outturn report for 2009/10 was presented to the Executive; this detailed budget carry-forwards from the 2009/10 programme to the 2010/11 programme amounting to £381,891 agreed with £44,790 of this being funded from grants and contributions. Therefore the 2010/11 working budget became £6,011,240 of which £849,590 was funded from grants and contributions. There were no further adjustments agreed in the year.
12. When setting the capital budget for 2011/12, the February budget-setting report showed some slippage into 2011/12 with expected capital expenditure in 2010/11 of £4,419,169.
13. The major capital projects that have slipped and therefore had budgets carried over were the 'Development of Additional Plots at the Mobile Home Park', (due to staff vacancies/turnover), and grants to works in Abingdon town centre and on the Abingdon Museum, both of which depend on expenditure by third parties.
14. The final figure for actual capital expenditure in 2010/11 was £4,726,080. The summary of this outturn is at Appendix 10 to this report. There was further slippage of expenditure into 2011/12; this is shown as budget carried over in the sixth column of Appendix 10. This now totals £636,761, offset by the £150,000 grant to Abingdon Town Council towards works to the County Hall which was paid earlier than originally expected. There is also a carry forward of grants and contributions towards this expenditure of £257,352.
15. There was additional expenditure over that expected due to the capitalisation of pension and redundancy costs which are normally charged against the revenue account, but can be charged to capital under the direction of the Secretary of State.

In 2010/11 this amounted to £189,447. The council has to apply for this and it is not known until late in the financial year: whether we will be allowed to apply for capitalisation; the amount we will be permitted to apply for and how much will the Secretary of State will approve to be capitalised (this is dependent on the total value of all requests from all central government departments and local authorities).

16. Other expenditure in excess of budget was on wheeled bins for the new waste collection service. This was partly due to an under-forecast in the original budget which didn't allow for some items, e.g. bulky waste bins, and partly due to a decision during the year to capitalise the bin delivery costs in order to obviate the revenue spend on the monthly contract payments. There was also an overspend on mandatory disabled facilities grants but this has been fully offset by an underspend on renovation and discretionary grants.

## **Financial, legal and any other implications**

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

## **Conclusion**

18. Despite the backdrop of the economic downturn and a significant drop in income, the Council has contributed £1.163 million to the council's general reserves – as opposed to an anticipated call on the reserves of £0.464 million. 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.
19. Although the outturn position is different from the original opening budget estimate, budget holders in the service areas had been forecasting an underspend throughout the year in the quarterly monitoring.
20. Looking forward. The budgeted net cost of services for 2011/12 is £2,481,800 less than that budgeted in 2010/11; therefore it is considered unlikely that the same level of underspend will materialise in 2011/12.

## **Appendices:**

1. Revenue Budget Outturn 2010/11 – Commercial Services
2. Revenue Budget Outturn 2010/11 – Corporate Strategy
3. Revenue Budget Outturn 2010/11 – Economy Leisure and Property
4. Revenue Budget Outturn 2010/11 – Finance
5. Revenue Budget Outturn 2010/11 – HR, ICT and Customer Services
6. Revenue Budget Outturn 2010/11 – Health and Housing
7. Revenue Budget Outturn 2010/11 – Legal and Democratic Services
8. Revenue Budget Outturn 2010/11 – Planning
9. Revenue Budget Outturn 2010/11 – Corporate Management
10. Capital Outturn Summary 2010/11

## **Background Papers**

- Annual Statement of Accounts 2010/11 (currently being audited by the District Audit)
- Annual Budget papers for 2010/11 (Yellow pages)