

# Cabinet Report



Report of Head of Finance

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To: Cabinet

**DATE: 11 November 2011**

**REPORT NO**

**39/11**

## Budget Monitoring – Quarter 2

### 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 second 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.

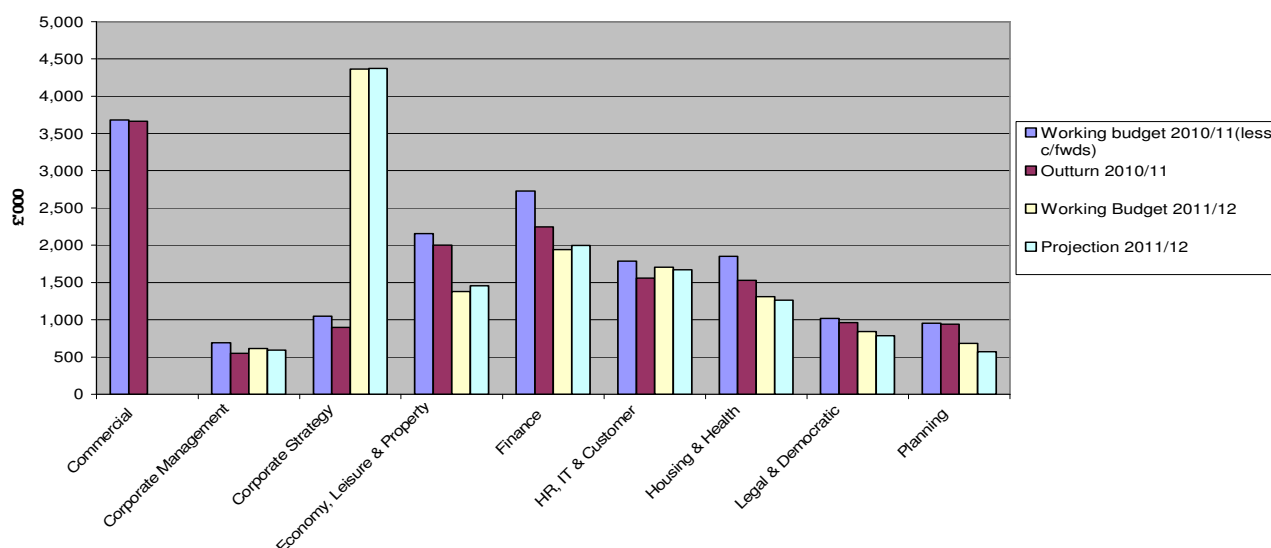
## Revenue budget monitoring report

4. Budget monitoring for the second quarter of 2011/12 (1 Jul – 30 Sep) indicates that, at the date of this report, the Council is predicting an over spend of £132,188 by year end. Qtr 1 was predicting a pressure on budgets of £352,119.
5. Service areas are reporting a net predicted under spend of £130,542, but there is £262,730 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 £50k revenue savings arising from a capital scheme for Manor Park, Wantage which now looks unlikely to happen. Also, the outturn includes an estimated amount payable to Capita under the terms of the payment and performance mechanism. 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 Sep 11**  
(all figures in £'000)

	Working budget	Actuals & commitments	Year end projection	Year end variance
Corporate strategy	4,361	2,077	4,371	10
Economy, leisure & property	1,377	498	1,454	77
Finance	1,940	4,587	1,998	58
HR, IT & customer	1,704	818	1,669	(35)
Housing & health	1,309	603	1,264	(45)
Legal & democratic	843	373	785	(58)
Planning	682	161	569	(113)
Corporate management	614	381	589	(25)
	<b>12,830</b>	<b>9,498</b>	<b>12,699</b>	<b>(131)</b>
<u>Below the line</u>				
Contingency	908	0	1,132	224
Property income	(2,074)	(945)	(2,035)	39
<b>Total</b>	<b>11,664</b>	<b>8,553</b>	<b>11,796</b>	<b>132</b>

Comparison of net working budget against outturn for 2010/11 and working budget and prediction for 2011/12



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. These explanations are edited from those provided by budget holders in their budget monitoring reports and from the meetings held with their service accountants. Significant elements of the savings are a direct result of cost reduction measures being implemented.

**Table 2 – Detail by service area of main variances**

	<b><u>£000</u></b>
<b>Corporate strategy</b>	
<u>Expenditure</u>	
Higher than expected bonus payment to the waste contractors due to the district exceeding its recycling targets (off set against income – as detailed below). Street cleaning contract payments are being predicted on six months actuals, which is coming out higher than budget.	250
<u>Income</u>	
Over achievement on recycling targets and brown bin customers	(240)
	<hr/> <b>10</b> <hr/>
<b>Economy, leisure and property</b>	
<u>Expenditure</u>	
£27k due to savings on vacant posts within the car parks section. The remaining under spend is made up of small savings within a number of cost centres.	(36)
<u>Income</u>	
£82k of the under achievement of income is due to the introduction of 2 hours free parking from December 2011. There is a predicted £23k reduction in income at the Civic Hall, and also £16k reduction in Civic Hall bar income (partly offset by a £8k reduction in purchases of bar stock). Income from service charges is up by £16k, but commission from turnover of mobile homes is down by £11k. The balance is made up of over achievement of income on various cost centres.	113
	<hr/> <b>77</b> <hr/>
<b>Finance</b>	
<u>Expenditure</u>	
Bulk of variance due to net increased expenditure on housing and council tax benefits (now est at £934k), although this is mitigated by increased related subsidy income receivable. Other main variances include savings estimated on the Capita contract, due to lower than budgeted sharing arrangement of additional benefits admin grant and inflationary savings and reduction in costs due to contract extension.	893

<u>Income</u>	
Variance is mainly a result of increased subsidy receivable for housing and council tax benefits due to a rise in related expenditure.	(835)
	<hr/>
	<b>58</b>
	<hr/>
<b>HR, IT &amp; customer</b>	
<u>Expenditure</u>	
Savings of £52k are mainly due to vacant posts within property data, and IT operations due to the pending restructure. This is offset against numerous small over spends within various cost centres.	(38)
<u>Income</u>	
Slight reduction in address management fees, which is offset by unbudgeted recharge income for support services provided by Capita.	3
	<hr/>
	<b>(35)</b>
	<hr/>
<b>Housing &amp; health</b>	
<u>Expenditure</u>	
Bulk of variance forecast reflects increased expenditure on temporary accommodation funded through housing benefits (see related income variance).	44
<u>Income</u>	
Forecast increase in temporary accommodation subsidy income receivable. This forecast is provided by Capita who advise this is due to beneficial changes in subsidy scheme.	(89)
	<hr/>
	<b>(45)</b>
	<hr/>
<b>Legal &amp; democratic</b>	
<u>Expenditure</u>	
Variance mainly relates to a vacant post in committee management and reduced use of the Guildhall.	(16)
<u>Income</u>	
The variance is mainly due to due to higher than anticipated income for land charges, which is as a result of a greater number of searches and increased fee charges.	(42)
	<hr/>
	<b>(58)</b>
	<hr/>
<b>Planning</b>	
<u>Expenditure</u>	
Variance is due to vacant posts within building control, and development policy.	(118)
<u>Income</u>	

Building control income is forecast to be under budget.	5
	<u>(113)</u>
<b>Corporate management</b>	
<u>Expenditure</u>	
The variance is mainly due to the temporary transfer of a post to the brown bin project.	(25)
<u>Income</u>	
-	0
	<u>(25)</u>
<b>Contingency</b>	
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 the 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 unlikely to happen due to limited scope to increase the fees and delays in approval from central government. The “earmarked” 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.	<b>224</b>
<b>Below the line</b>	
Property trading income – Telfer House now let but rent is not payable until later in the year than previously budgeted for.	39
<b>Current over spend against budget predicted in year</b>	<b>132</b>

7. The outsourcing of the payroll service is planned for February 2012 as a consequence in-year savings will not cover one-off costs as anticipated. The costs of redundancy are built into the figures above, but there is also likely to be a hidden pension cost of £9,650. There is no budget provided to cover any costs of the management initiative to ask staff to volunteer for redundancy/early retirement.

### 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. Wantage Town Council resolved in June 2011 to withdraw from negotiations to take over responsibility for Manor Road

Memorial Park and also to scrap the scheme for altering the layout of the Market Place, so grants of £525,000 and £250,000 included in the programme will not now be paid. This gives a 'working' budget of £5,062,890.

9. Expenditure to the end of September amounted to £1,973,799 (39% of the 'working' budget) but this includes the £1.2 million capital grant paid to Abingdon Town Council at the beginning of the year on the transfer of the Guildhall. A complete review of the programme was carried out in October. Some slippage into 2012/13 has been reported; the major items are:
  - only £100,000 of the £840,000 budget for YA18 - Development of additional plots at the mobile homes park is likely to be spent in 2011/12 due to the complexities of specifying and tendering the work.
  - a £300,000 grant to works at Abingdon Museum which was profiled in 2011/12 and 2012/13 has all been paid over.
10. The Council remains within the confines of its prudential indicators for borrowing and lending as specified in the 'yellow pages' agreed by Council in Feb 11. The Council had to borrow for a short period to cover a temporary cash flow shortage but remained 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 £132,188 over spend (1.13% 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.