

Cabinet Report



Report of Head of Finance

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To: Cabinet

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REPORT NO

68/11

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 third 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.

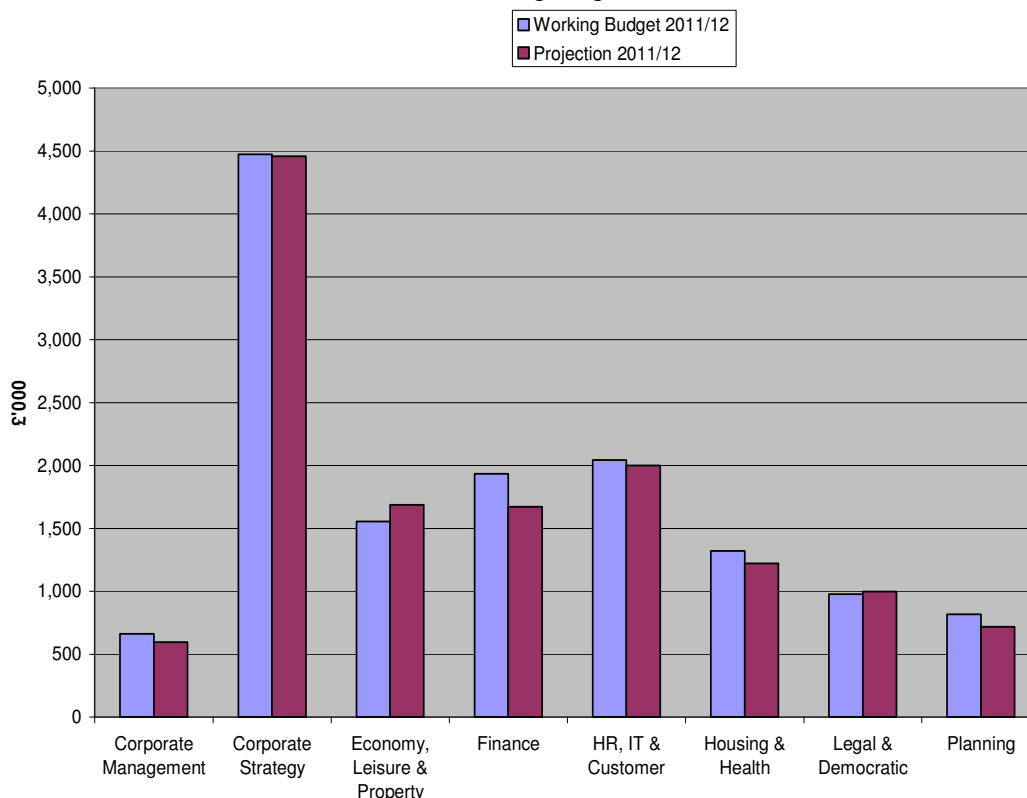
Revenue budget monitoring report

4. Budget monitoring for the third quarter of 2011/12 (1 Oct – 31 Dec) indicates that, at the date of this report, the Council is predicting an under spend of £47,974 by year end. Qtr 2 was predicting a pressure on budgets of £132,188.
5. Service areas are reporting a net predicted under spend of £432,488, but there is £384,514 of 'below the line' pressure, which relates to contingency and property investment income. Contingency is predicted to be £289,464 over budget. £162,000 of this is due to the additional income on planning fees not being achieved due to delays in the approval of the scheme from central government. Also, the capital programme contained a scheme for transferring ownership of Manor Park, Wantage which would have generated £50,000 ongoing revenue savings is now not expected to progress. In addition to this, contingency includes budget corrections to service budgets and recharge allocations. Property income is also less than budgeted due to rent starting to be received later than anticipated for Telfer House and increased costs.

Table 1 – Outturn forecast by service area as at 31 December 2011
(all figures in £'000)

	Working budget	Actuals & commitments	Year end projection Q3	Year end variance
Corporate strategy	4,472	3,317	4,458	(14)
Economy, leisure & property	1,556	1,068	1,686	130
Finance	1,324	3,396	1,151	(173)
HR, IT & customer	2,041	1,466	2,000	(41)
Housing & health	1,321	803	1,223	(98)
Legal & democratic	979	615	997	18
Planning	816	484	718	(98)
Corporate management	661	782	595	(66)
	13,170	11,931	12,828	(342)
<u>Below the line</u>				
Contingency	(42)	0	247	289
Property income	(2,074)	(1,334)	(1,979)	95
Pension deficit recovery	610	347	520	(90)
Total	11,664	10,944	11,616	(48)

Net working budget and forecast outturn



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

	<u>£000</u>
Corporate strategy	
<u>Expenditure</u>	
Higher than expected bonus payment to Biffa due to over achieving recycling targets. This is partly offset by savings within Corporate Communications on printing and external advertising.	240
<u>Income</u>	
An over achievement on recycling targets and garden waste scheme has resulted in Increased recycling credits income.	(254)
	<u>(14)</u>

Economy, leisure and property

Expenditure

Unbudgeted costs of service restructuring mostly offset by savings made of vacant posts within the Car Parks section 6

Income

The majority of the under achievement relates to two areas, car parking and Civic Hall. Car parks is predicted to be £80k under budget due to the introduction of two hours free parking from December 2011. There is a predicted £24k under-achievement in income at the Civic Hall, and also £20k under-achievement in Civic Hall bar income. 124

130

Finance

Expenditure

Main variance due to net increased expenditure on housing and council tax benefits (now estimated at £824k), although this is offset below by increased related subsidy income receivable, and some other major expenditure variances. These include savings estimated on the Capita contract due to lower than budgeted sharing arrangement of additional benefits admin grant, inflationary savings and reduction in costs due to contract extension. 787

Income

Variance is mainly a result of increased subsidy receivable for housing and council tax benefits due to a rise in related expenditure. (The predicted net benefits underspend is a reversal of the Q2 prediction) (950)

(173)

HR, IT & customer

Expenditure

£30k relates to savings on staff costs due to vacancies within property data, IT operations, and employee relations. The majority of the remaining predicted saving relates to numerous small savings within individual cost centres such as mapping service and medical examinations. (60)

Income

The main variance relates to the recharge income on MFD's although it is netted off against reduced expenditure. 19

(41)

Housing & health

Expenditure

Reduction in net expenditure due to a range of variances, including part year vacancy savings, reduced spend on equipment purchase and maintenance and consultants costs. Costs of nightly paid accommodation are also below budget, although these are exceeded by increase in costs of temporary accommodation partly funded through Benefits. (18)

Income

Increased temporary accommodation subsidy income related to a rise in costs of Benefits (as mentioned above) (80)

(98)

Legal & democratic

Expenditure

- 2

Income

Under-recovery of income in taxi licensing (due to the issue of 3 year licences), and parliamentary and European elections income received in the prior financial year are partly offset by over-recovery on income for land charges, due to a greater number of searches; and higher than expected income on the legal service. 16

18

Planning (adjusted for Building Control ringfenced account)

Expenditure

Work on the Core Strategy has progressed more slowly than anticipated, with a £71k underspend now forecast. Other underspends relate to vacancies in Central Planning and Development Policy. In addition, a number of sundry overspends reduce the overall gross savings as shown here. (100)

Income

- 2

(98)

Corporate management

Expenditure

Savings of £15k relate to revised external audit fees, and £13k savings on restructure costs. The remaining predicted variance relates to a vacant PA's post. (64)

Income

-

(2)

(66)

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 the former of these pots and it is currently presumed that the unallocated contingency is fully utilised in year.

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The “earmarked” contingency budget assumed £162k of increased income due to the ability to increase planning fees, however delays in approval from central government prevent this. 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 8 below. In addition, contingency balances show the effect of corrections to service budgets and changes in recharge allocations with South Oxfordshire District Council

Below the line

Property trading income – Telfer House now let but rent is not payable until later in the year than previously budgeted for. There has also been an increase in rent arrears, fees relating to re-lets and rent reviews and an increase in the provision for bad debts.

95

The Oxfordshire County Pension Fund has confirmed the actual payments due from the council to offset the council’s proportion of the actuarial deficit on the pension fund are less than previously budgeted which will result in a year-end saving.

(90)

Current under spend against budget predicted in year

(48)

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 £9,819. Annual savings of £40,730 (at each council) will be realised from 1 April 2012. The management initiative to invite staff to volunteer for redundancy/early retirement requires a sound business case requiring net savings, however an upfront overspend may arise.

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 stop 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 December amounted to £2,292,586 (45% 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 the quarter. 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.
 - some expenditure on Flood Prevention work – YA01, has been deferred because bids for grant from the Environment Agency have not been agreed, or delayed due to the complexities of co-ordinating the work with other agencies and dealing with land owners.
 - a £300,000 grant to works at Abingdon Museum which was profiled in 2011/12 and 2012/13 has all been paid over in the current year.
10. The capital account for domestic waste bin purchases will be overspent by approximately £40,000. This is because a requirement for additional brown bins has arisen due to the expected expansion of the garden waste. The council has stocks of green and grey bins, but not brown bins
11. The Council remains within the confines of its prudential indicators for borrowing and lending as specified in the 'yellow pages' agreed by Council in February 2011. The Council has not had to borrow for cash flow reasons during the quarter.

Financial Implications

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

Legal Implications

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

Risks

14. 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

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

Conclusion

16. The current revenue outturn prediction is £47,974 underspend (-0.4% of net budget). The revised capital programme will form part of the Council budget papers on 22 February 2012.

Background Papers

- Executive Budget Proposal 2011/12 approved by Council on 23 February 2011.