VALE OF WHITE HORSE DISTRICT COUNCIL

Report No. 37/06
Wards Affected:

REPORT OF THE STRATEGIC DIRECTOR (CHIEF FINANCE OFFICER)
TO THE EXECUTIVE
7 JULY 2006

2005/06 Annual Outturn Monitoring

1.0 Introduction and Report Summary

1.1 The report details, in accordance with the Corporate Planning Framework, the outturn position for 2005/06, subject to audit.

1.2 The Contact Officer for this report is Steve Bishop, Strategic Director (& Chief Finance Officer), (01235 540332).

2.0 *Recommendations*

Members are requested to:

(a) Note the overall outturn position of the Council as well as the outturn of individual service areas and cost centres; and,

(b) Take into account the impact of the outturn position in the Integrated Service and Financial Planning process when setting the 2006/07 Revised Budget and 2007/08 Original Budget.

3.0 Relationship with the Council's Vision, Strategies and Policies

(a) This report summarises the financial consequences of the Council's entire activities, which support the Council's Vision.

(b) The report does not conflict with any Council Strategies.

(c) The report complies with existing policies on financial management.

4.0 Financial Monitoring

4.1 The overall Council outturn position is summarised in section 5 below.

4.2 Appendix A sets out the revenue outturn position for service areas and their component cost centres across the normal subjective headings.

4.3 Major variances over £10,000 are explained in Appendix B.

5 Overall Council Outturn Position

5.1 The appendices cover the 'normal' service area cost centres that comprise the Council's Revenue Account. As such they do not include corporate revenue items such as property income, investment income and Contingency. As a result the appendices do not reflect the true 'bottom line' revenue outturn position. The following table provides the overall projected outturn, which is a net under-spend of £26k (0.25% of Revised Budget Requirement):

	Variance from Revised Budget [1] £'000
Service areas outturn (as appendices)	(623)
Contingency	(438)
Property Income	21
Investment Income	100
Reduced use of Earmarked Funds	914
Council Outturn (reduced use of balances)	**(26)** [2]

Notes
[1] Underspends and overachieved income are negative; overspends and underachieved income are positive
[2] The outturn is finalised, subject to external audit

6 Explanation of the Outturn

6.1 Service Area variances

Some cost centres ended the year over-spent, whilst others under-spent. The total of all the cost centre variances is a net £623k under-spend (Appendix A). The larger variances, each individually over £10k in value are explained in Appendix B).

The four main reasons for the larger under-spend variances, as listed in Appendix can be summarised as being:

- Reduced supplies and services spending due to insufficient officer capacity and slippage on certain projects
- Cautious spending given the Council's known financial constraints
- Unexpectedly improving market conditions, resulting in actual income exceeding conservatively estimated income budgets
- Under-budgeting for certain Government grant income and certain costs

6.2 Contingency

Managed Vacancies over-performed the budgeted saving by £450k, which accounts for most of the under-spend on Contingency.

The way in which we budget for vacant posts has now changed. Previously vacant posts were managed centrally. However, this year's 2006/07 Original Budget for employee costs has been reduced in proportion to last year's outturn managed vacancy savings. Budget holders effectively start the year with 95% of the budget required to finance their full staffing complement for a full year. As vacancies arise, the budget holder is expected to manage the vacancy in order to keep within budget.

6.3 Property Income

The under-achievement of the corporate property income budget was £21k, or 1.2% down on the revised budget. This is within acceptable tolerances. It was due to unexpected minor voids and slightly lower rents than expected on some periodic rent reviews.

6.4 Investment Income

The under-achievement of the corporate investment income budget was £100k, or 6.9% down on the revised budget. Whilst the performance of the inhouse team was good, the treasury fund managers had a disappointing year, especially the final quarter. All fund managers suffered due to interest rate and bond yield uncertainty. It should be remembered that the fund manager's brief is to maximise returns over three years and he is confident about an upswing in performance in the year ahead.

6.5 Earmarked Funds and Reserves

The Council has a number of earmarked funds and reserves, each designated for a particular purpose. Each year we plan how much money needs to be returned to certain funds in order to build them up for their intended use, whilst others are used in the year according to their specific purpose. For 2005/06 we planned that the net usage of such funds would significantly exceed the contributions into the funds.

At the year-end review of earmarked funds it became apparent that the Contingency Fund needed to be replenished in order to meet the cost of projects carried forward for completion in 2006/07 as well as building an adequate reserve to meet as yet unforeseen costs associated with major procurement exercises, new statutory duties and local government reorganisation. The balance on the Superannuation Fund has also been maintained in order to offset the impact of the next triennial actuarial review. New reserves have been created to comply with statute (the Building Regulations Trading Reserve) or to meet an unexpected need (the DSO Replacement Vehicle Reserve). As planned a number of obsolete reserves have been closed down and the money returned to general fund balances.

6.6 Overall Outturn and Use of Balances

This has been a good year for the Council's finances. The interaction of the revenue under-spend and lower use of earmarked funds is such that the Council used £26k less general fund balances than planned. The Council has made better progress against the Medium Term Financial Plan than forecast in February and starts 2006/07 with healthier general fund and earmarked fund balances.

STEVEN BISHOP
STRATEGIC DIRECTOR (& CHIEF FINANCE OFFICER)

Background Papers: Agresso download; Budget Holder variance explanations