

To: City Executive Board
Date: 21 September 2011
Report of: Head of Finance
Title of Report: Budget Monitoring as at 30 June 2011

Summary and Recommendations

Purpose of report: This report sets out the forecast outturn position for the Council's Capital and Revenue budgets as at 30th June 2011 compared to the approved 2011-12 budget. In addition it provides information on key financial indicators in order to provide an assessment of the overall financial health of the organisation

Recommendation(s): That the City Executive Board notes this report.

APPENDICES TO REPORT – Appendix 1 – GF Full Savings Pressures List

EXECUTIVE SUMMARY

1. This report represents Quarter 1 of the financial year; it highlights major variances to the approved budget in the form of outturn variances.
2. The current month's outturn shows a favourable variance of £68k to the 2011-12 approved budget.
3. The Council's budget contained major savings and efficiency proposals, totalling some £4.3 million for this financial year, and with a contingency set aside in case these were not achieved. In addition, the Council faces some major financial challenges, stemming from cuts to housing benefit, rising fuel costs, and income pressures due to the recession. As a consequence, good progress is being made in keeping the budget on-track, although there are some issues highlighted below.
4. Discussions with Cost Centre Managers and Heads of Service have identified a number of pressures and opportunities related to the full year outturn that will need to be managed during the year:

Major pressures identified – General Fund (2011-12 Outturn)

- Waste and recycling £120k
- Car Parking – Worcester Street £90k
- Customer Services – Fundamental Service Review £33k

5. At this stage services are working through mitigation actions for these variances. They have been included within the outturn as they currently represent a risk to the overall budget. Finance will work with service areas to ensure mitigation plans are put in place to offset these risks. Once robust plans are in place to cover these potential overspends the forecast outturn will be amended as appropriate.

Major Opportunities identified – General Fund

- A favourable St Aldates rent review decision will result in a one off release of provision @ £100k, plus an going favourable variance driven by a lower than anticipated annual rent settlement. This will be factored in to the outturn once the agreement has been signed.
- New Homes Bonus £472k which was not budgeted for
- Investment income is expected to be £40k favourable to approved budget due to the implementation of a more proactive approach to treasury management.

6. Appendix A provides an analysis of the forecast General Fund revenue outturn broken down by directorate. Table 1 below provides a summary.

Table 1 – General Fund Forecast Outturn as at 30th June 2011

	Approved Budget 11/12	Latest Budget	Projected Outturn @30th June 2011	Outturn Variance to Latest Budget
	£000's	£000's	£000's	£000's
Directorates:				
Chief Executive	3,964	3,925	4,000	75
City Regeneration	5,200	4,999	4,999	0
City Services	8,958	8,848	8,881	33
Finance & Efficiency	6,107	6,458	6,458	0
Total Excluding SLAs And Capital Charges	24,229	24,230	24,338	108
Capital Charges and other Non Controllable Costs	(1,746)	(1,746)	(1,746)	0
Total of Corporate and other associated Budgets	2,478	2,478	2,438	(40)
Transfer to Balances	816	816	816	0
Net Budget Requirement	25,777	25,778	25,846	(68)
Funding				
External Funding	13,399	13,399	13,399	0
Council Tax	12,355	12,355	12,355	0
Collection Fund surplus	24	24	24	0
Total Funding Available	25,778	25,778	25,778	0
(Surplus) / Deficit for Year	(0)	(0)	(68)	(68)

Working Balance

1st April 2011	4,428
Transfers in	816
31st March 2012	5,244

7. The difference between the approved budget and the latest budget at service level is explained by virements of ICT maintenance budgets and movement in the budget for Markets.

8. The approved budget contains £606k of contingency to mitigate unachieved savings. In addition the council has received £472k in respect of New Homes Bonus which will either be transferred to reserves at year end, utilised to support the capital programme or other revenue expenditure as yet to be decided.

General Fund Outturn

9. At this stage the forecast outturn is £68k favourable to the 2011-12 approved budget. The main variations in service areas are outlined below:

- **Chief Executive is projecting a £75k adverse variance to the 2011-12 approved budget**, this is driven by People & Equalities and is due to the annual support costs for the iTrent system not being identified as a budget pressure during the 2010 refresh of the MTFs. This risk will be flagged as a budget pressure in the 12/13 budget process, and the service area will at this stage contain the over spend with existing budgets.

Law and Governance is reporting a £10k adverse variance relating to a partial unachievable saving due to alternative restructuring proposals within democratic services.

- **City Services is highlighting a £33k adverse variance to the 2011-12 approved budget,**

- **Direct Services**

Waste & Recycling Service is £120k adverse

The approved budget was based on the level of Service set out in the Fundamental Service Review (FSR). This Service started on 19 October 2010.

Whilst the waste service continues to deliver within the approved financial envelope following the market testing, a number of issues have arisen which impact on the overall cost of the service to the Council.

These include modifications to the trade waste service in the city centre as part of the Cleaner Greener campaign, which have not been met through increased income, legislative changes to the definition of domestic and trade waste in relation to Schedule 2 has an impact of an additional cost of £184k. This is made up of: -

- £44k related to Flats and schedule 2 waste, current legislation does not allow for waste to be collected in one vehicle. Bin Weigh has now been ordered and it is anticipated this will mitigate this additional cost from Q3 onwards.
- £100k for an additional evening collection to support cleaner greener Oxford
- £40k additional Saturday collections to support cleaner greener Oxford

Fuel continues to drive cost pressures within the service, prices have risen by 26% from the date the approved budget was agreed to 31st March 2011. As a result an additional £90k of fuel costs is anticipated during 2011/12, this is based on fuel prices as at 31st March. Work has taken place on route optimisation and is showing a potential £30k saving against the anticipated increase above.

Long Term Sickness Agency Cover is at present estimated to be £82k for 2011-12. This was not included in the approved budget as a potential pressure.

Service Provisions in relation to the additional Royal Wedding Bank Holiday catch up is £14k, once again this is not included in the approved budget.

Training, and respective cover for this is estimated to be £30k in 2011-12, A new scheme of Time Banking is being introduced to assist in reducing this cost.

An additional contribution of £50k in relation to excess mileage has now been negotiated with OWP for 2011-12.

The introduction of the Trade Waste Food Service from the 1st October 2011 is expected to contribute to a reduction in Tipping Charges of £40k.

Garden Waste is expected to make additional year one savings of £30k, if all of the Garden Waste Bins are Capitalised.

Off- Street Car Parking is £60k adverse

Income to date is in line with budget. An area of concern is that the rent payable to Nuffield College in relation to Worcester Street Car Park will increase by £90k since it is linked directly to income (every £1 taken results in rent payable £0.5769.) Rent Payment is currently budgeted at £680k but based on budgeted income of £1.3m the rent payable to Nuffield College is likely to be £770k.

The new charges for Parking in the Parks were profiled for income from the 1st July 2011. Complying with the consultation and traffic order processes has slightly delayed this and the profile income for July is consequently likely to be less than Budget.

The delay in the closure of St Clements Car Park will contribute an additional income of £30k

- **Engineering £180k favourable**

The Engineering team has negotiated further S42 works which will contribute an additional £180k this year.

Therefore the current projected year end position is that it is anticipated that Direct Services will achieve the Approved Budget position.

- **Customer Services**

As at 30th June 2011 the service is highlighting a £33k projected overspend against the approved 2011/12 budget. This is a result of £40k of unbudgeted spend associated with backfill of staff who are working on the Fundamental Service Review (FSR). Offset by an expected favourable with supplies and services £7k.

The service is currently bidding for transformation funding to support the backfill associated with the FSR. If successful this projected overspend will be funded from a release from earmarked reserves.

ACHEIVEMENT OF SAVINGS AND EFFICIENCIES

10. The approved budget for 2011/12 includes service reductions and efficiencies of £4.3m.

11. Table 2 below sets out the savings position as at 30th June 2011

Table 2 – Savings Status

	<u>Efficiencies</u>				<u>Service Reductions</u>			
	Approved Savings £000's	Projected outturn £000's	Var £000's	Savings made to date £000's	Approved Savings £000's	Projected outturn £000's	Var £000's	Savings made to date £000's
People & Equalities	(260)	(260)		(65)	(18)	(18)		(5)
Law & Governance	(39)	(39)		(38)	(111)	(101)		(13)
PCC	(102)	(102)		(10)	(65)	(65)		(16)
Chief Executive	(401)	(401)		(113)	(194)	(184)		(34)
Finance	(107)	(107)		(18)	(49)	(49)		(9)
ICT	(100)	(100)		(24)				
Business Trans	(83)	(83)		(20)				
Finance and Efficiency	(290)	(290)		(62)	(49)	(49)		(9)
Direct Services	(680)	(680)		(588)				
City Leisure	(511)	(511)		(121)	(12)	(12)		(0)
Customer Services	(241)	(241)		(27)				
Environmental Development	(110)	(85)	25	(25)	(110)	(110)		(21)
City Services	(1,542)	(1,517)	25	(762)	(122)	(122)		(22)
City Development	(123)	(123)		(15)	(136)	(136)		(34)
Housing and Communities	(624)	(624)		(117)	(449)	(449)		(206)
Corporate Assets	(317)	(317)		(20)	(9)	(9)		(2)
City Regeneration	(1,064)	(1,064)		(151)	(594)	(594)		(242)
Total	(3,296)	(3,271)	25	(1,051)	(959)	(949)		(306)

12. As at 30th June 2011 services are reporting no issues associated with savings with the exception of Environmental Development and Law and Governance.

13. In the case of Environmental Development the proposed saving was predicated on the existence of the fuel poverty budget. In this case the funding ended in 10-11 and did not roll in to the 2011-12 base as a result it is not possible to make a savings against this budget line, however the service will find these savings though under spends in the year.

14. Law and Governance is reporting a £10k adverse variance relating to a partial unachievable saving due to alternative restructuring proposals within democratic services.

15. Finance will continue to monitor progress against savings and report progress on a monthly basis.

CONTINGENCIES, RESERVES AND BALANCES

16. To date there have been no movements in working balances. The 2011-12 approved budget provides for a £816k transfer to reserves.

HOUSING REVENUE ACCOUNT

17. The HRA position as at 30th June 2011 is set out in Table 3. The HRA is forecasting a surplus of £500k, this is in line with the approved budget

Table 3 – HRA Outturn as at 30th June 2011

	Annual Budget £'000	Forecast Outturn at 31 March 2012 £'000	Variance £'000
Income & Expenditure Account			
Income from Rent & Service Charges	(37,085)	(37,085)	0
Other income	(1,097)	(1,097)	0
Expenditure on Repairs & Maintenance	10,083	10,083	0
Other Expenditure	18,151	18,151	0
Subsidy, Finance & Appropriations	9,448	9,448	0
Deficit/(Surplus)	(500)	(500)	0

18. Year to date performance includes an under spend of £491k on repairs and maintenance. This expenditure is mostly derived from recharges made by Direct Services to the HRA. In the first three months of the year, Direct Services had reduced output due to a large number of staff vacancies. These have now been filled and Direct Services expects to undertake significantly more work during the remainder of the year.

19. As a result of a change in accounting treatment approximately £741k of overheads will remain in the HRA revenue account. As a result the capital programme will be £741k under spent at the year end against the original budget although there will be less revenue contributions to compensate. Overall between capital and revenue the Housing Service will be in balance. The funding shortfall in the HRA revenue account will be met by a reduction in the contribution to the decent homes reserve at the end of the year

20. On this basis the forecast outturn has been left unchanged but this will be closely monitored during the remainder of the year.

CAPITAL PROGRAMME

General Fund and HRA Capital Programme

21. The budget approved for the General Fund and HRA Capital Programme for 2011/12 is shown in summary in Table 3 below. Appendix B attached shows the Capital Programme on a scheme by scheme basis.

22. As at the 30th June the Capital Programme is showing a favourable variance of £1.5m. The reasons for this are set out below the table

Table 4 – Capital Programme as at 30th June 2011

Capital Scheme	Budget 2011/12	Spend as at 30th June 2011	% Spend Against Budget	Spend projection for 11/12	Variance to Budget 11/12
General Fund					
City Development	1,063,682	46,220	4%	1,063,682	0
Environmental Development	724,449	64,870	9%	724,449	0
Communities and housing	2,937,269	498,662	17%	2,941,256	3,987
Corporate Assets	6,026,940	865,138	14%	5,991,842	(35,098)
Customer Services	179,000	0	0%	179,000	0
City Leisure	11,375,886	300,088	3%	9,766,483	(800,000)
City Works	1,171,400	175,724	15%	783,400	0
Business Transformation	300,000	0	0%	300,000	0
GF Total	23,778,626	1,950,702	8%	21,750,112	(831,111)
HRA					
Adaptations for disabled	900,000	382,443	0%	810,000	(90,000)
Major Voids	900,000	175,162	19%	810,000	(90,000)
Kitchens & Bathrooms	3,500,000	737,073	21%	3,250,000	(250,000)
Heating	1,000,000	385,649	0%	920,000	(80,000)
Windows	900,000	75,068	8%	810,000	(90,000)
Grantham House - Refurbishment	1,601,000	0	0%	1,601,000	0
Other	2,399,884	174,648	7%	2,258,884	(141,000)
Housing Revenue Account	11,200,884	1,930,043	17%	10,459,884	(741,000)
Grand Total	34,979,510	3,880,745	11%	32,209,996	(1,572,111)

23. **City Leisure is showing a £800k favourable variance compared to the 2011-12 approved capital programme.** This relates to a deletion of an item of spend of £800k on Play Barton which is funded externally. .

24. **The HRA capital programme is on track to deliver in year however a change to the accounting treatment of overhead costs is driving a £741k favourable variance.**

25. As a result of a change in accounting treatment approximately £741k of overheads will remain in the HRA revenue account. As a result the capital programme will be £741k under spent at the year end against the original budget although there will be less revenue contributions to compensate. Overall between capital and revenue the Housing Service will be in balance. The funding shortfall in the HRA revenue account will be met by a reduction in the contribution to the decent homes reserve at the end of the year.

26. Other than the above the HRA capital programme is on track to deliver as approved.

PERFORMANCE INFORMATION

27. There are a number of key performance indicators which when combined with budgetary performance information will give an overall picture of the financial health of the organisation. These indicators are as follows:

The Level of Debtors

Table 7 – General Fund Debtors as at 30th June 2011

30/06/2011	Sundry Debtors	Periodic Income & Service Charges	Housing Benefit Overpayments	Grand Total
31-90 Days	218,478	(44,467)	0	174,011
91-180 Days	(109,692)	60,653	0	(49,039)
< 1 Year	82,141	77,951	513,612	673,704
< 2 Years	67,016	7,041	1,112,666	1,186,723
< 3 Years	38,457	(15,744)	688,957	711,670
< 4 Years	32,212	192	506,174	538,578
< 5 Years	5,339	(486)	304,482	309,335
< 6 Years	15,988	346	212,260	228,594
Over 6 Years	8,037	2,614	636,254	646,905
Total	357,977	88,100	3,974,405	4,420,482

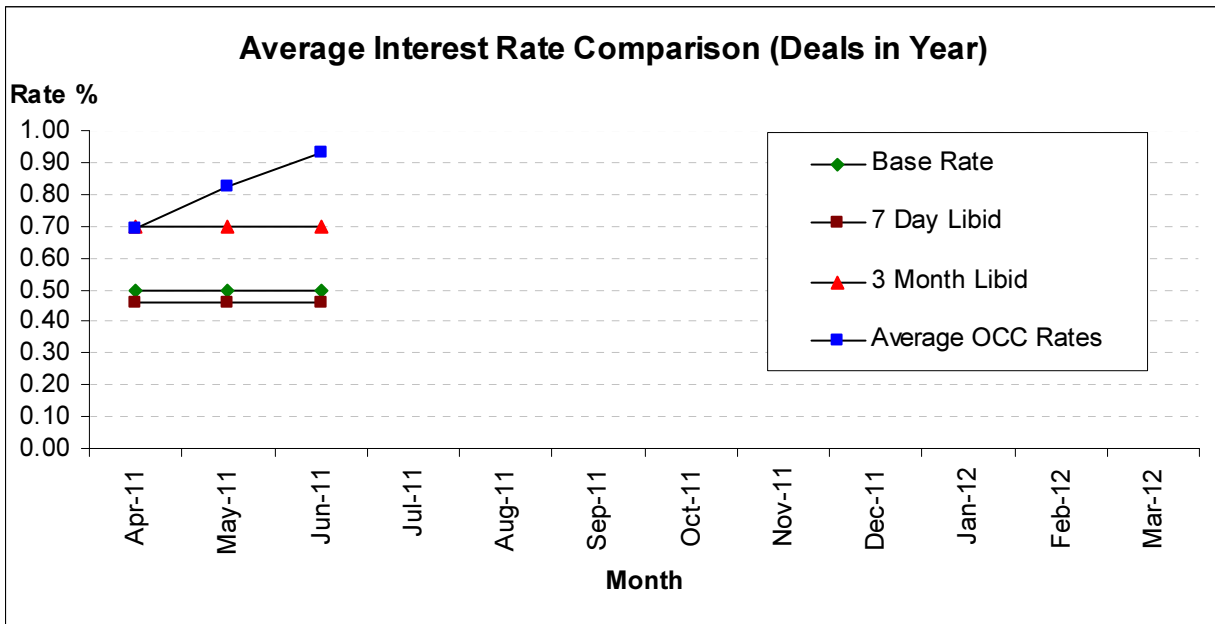
28. The Council's total General Fund debt i.e. debt aged 31 days or more, stands at £4.4m.

29. As at 31st May 2011 57% of debt is aged 3 years or over. Housing Benefit overpayments represent 96% of the debt aged over 3 years.

30. Whilst Housing Benefit overpayments are actively managed, recovery is slow, and adequate bad debt provisions are maintained against this debt.

31. As at the end of June £2.3m of Housing Benefit overpayments have recovery arrangements in place

Investment Performance

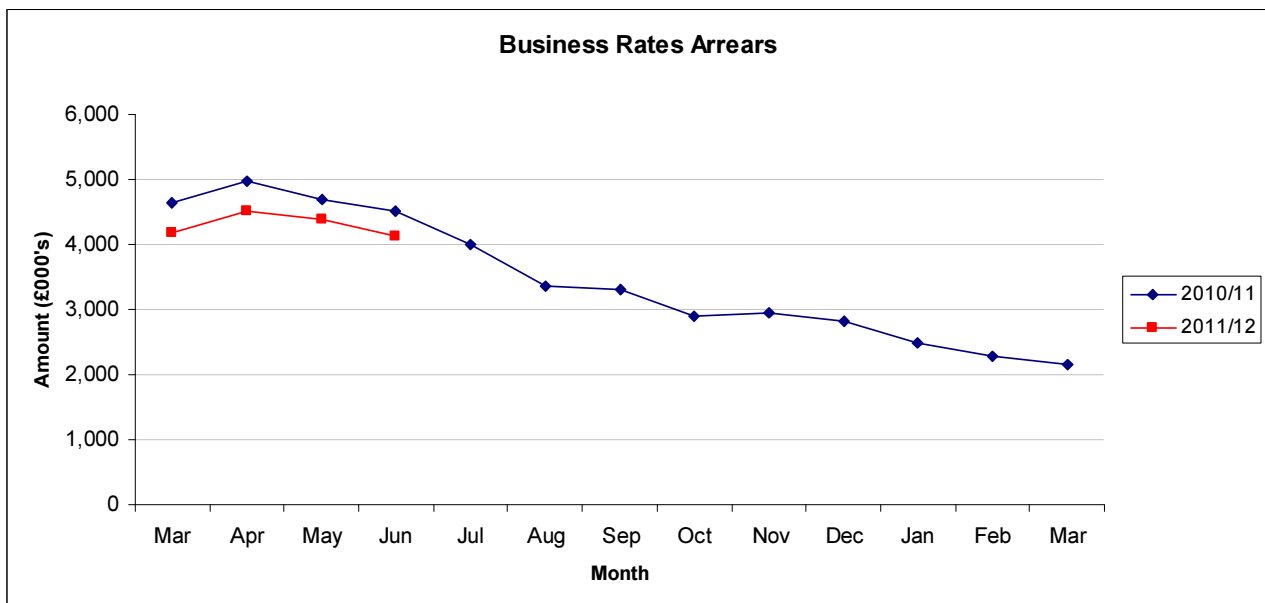


32. The cumulative average rate of return on investments for quarter 1 was 0.8257%. The cumulative return has increased by approximately 6.5 basis points from May, which was 0.7588%. This is largely due to realising the full month effect of the investment portfolio changes implemented in May 2011.

33. The uplift in return has been achieved through restructuring our short term investment portfolio; by utilising high interest rate notice bank accounts and ensuring that short term deposit interest rates achieve a higher return than our money market funds.

34. The year end outturn has been increased by £40k as a result.

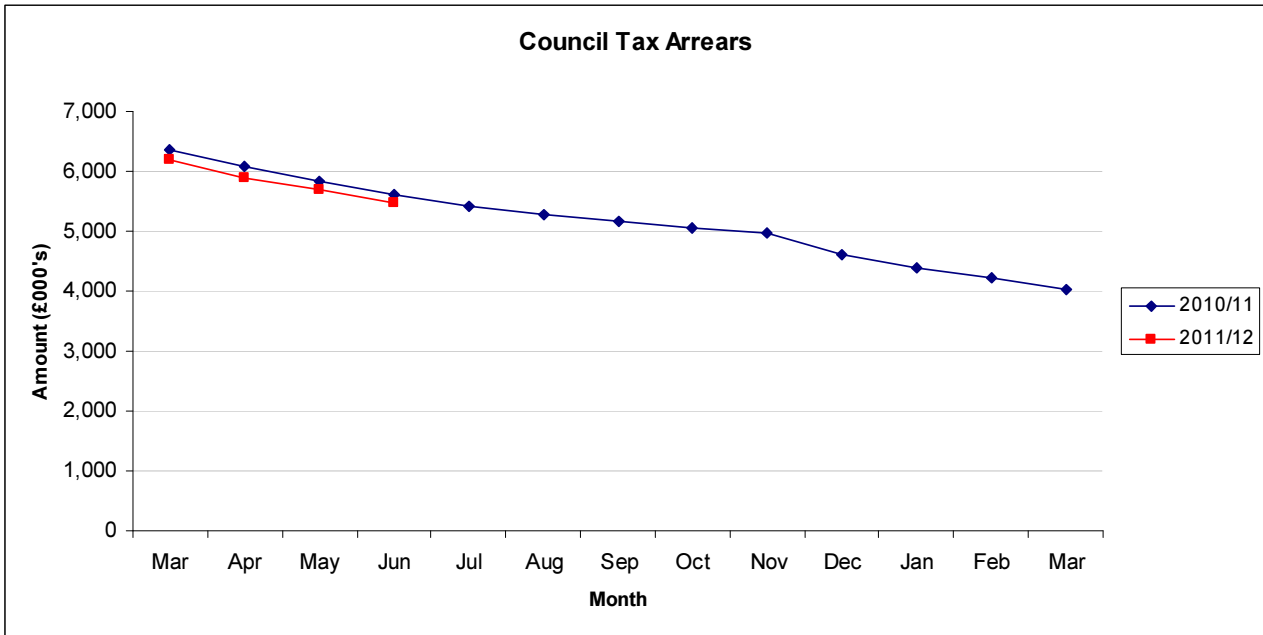
Business Rates



35. The value of arrears as at June 30th 2011 is in line with the March 31st level. During the period to date arrears have risen and then fallen again. This rise is driven

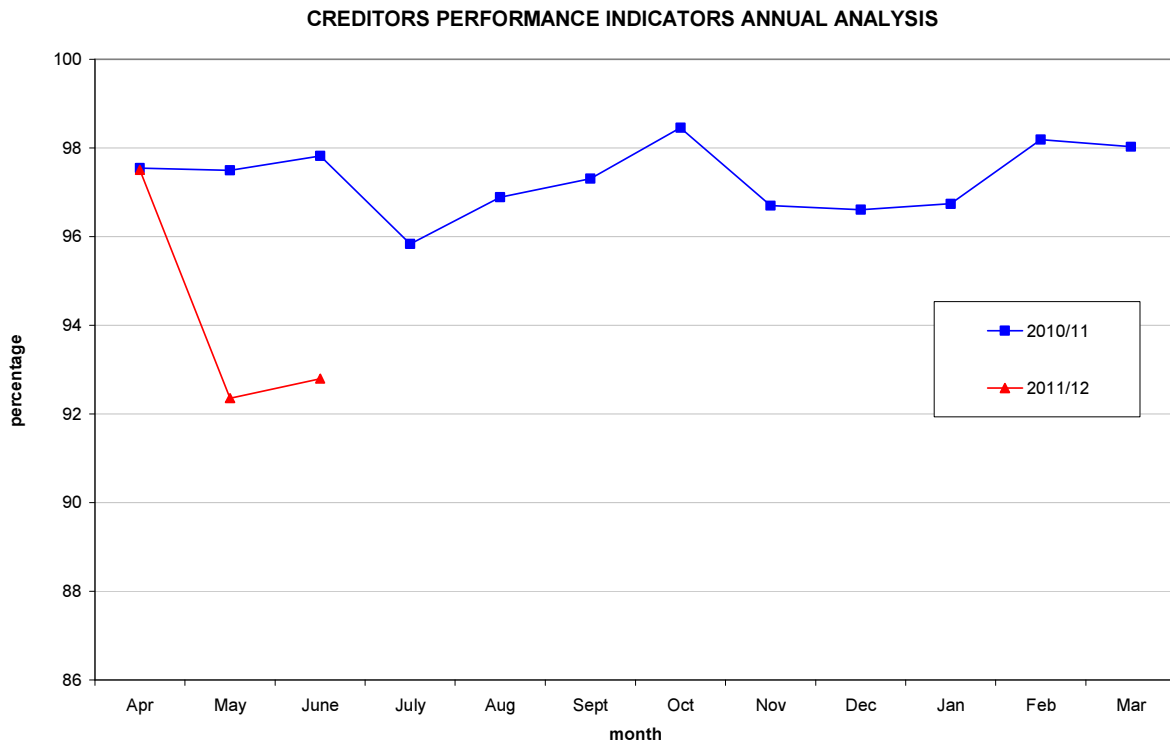
by an increase in backdated rate reviews. The same pattern occurred in 2010 (see graph above).

Council Tax Arrears Collection



36. Council Tax arrears have reduced by £600k in the period from 31st March 2011. Arrears are down 2.4% compared the same period last year.

Creditor Payment Times



37. During June 2011 creditor invoices paid on time stood at 92.8%. This is significantly below the target of 97%.

38. The Finance team have issued guidance to Services to reinforce the appropriate processes and procedures that need to be adhered to in order to address this issue and will continue to monitor on a regular basis.

<http://occweb/files/seealsodocs/92849/Purchase%20Orders%20and%20Invoice%20Processing%20Guidance.pdf>

The table below sets out the June 2011 and Year to Date results by Service area

Service Area	Total Invoices	Over 30 Days	% Over	% On time	Total Invoices YTD	Over 30 Days YTD	%Over YTD	%On time YTD
S24 HRA	689	74	10.96%	89.04%	2281	162	7.38%	92.62%
S23 Direct Services	456	15	3.29%	96.71%	1851	41	2.22%	97.78%
S11 City Development	203	7	3.47%	96.53%	631	40	6.35%	93.65%
S13 Community Housing & Development	203	11	5.50%	94.50%	590	36	6.17%	93.83%
S22 City Leisure	122	4	3.54%	96.46%	416	20	5.03%	94.97%
S14 Corporate Assets	110	20	18.18%	81.82%	535	38	7.17%	92.83%
S21 Customer Services	66	4	6.06%	93.94%	178	17	9.55%	90.45%
S32 Finance	58	6	11.11%	88.89%	187	20	10.93%	89.07%
S12 Environmental Development	41	2	4.88%	95.12%	178	5	2.94%	97.06%
S33 People & Equality	41	1	2.44%	97.56%	155	15	9.74%	90.26%
S31 ICT	36	1	2.86%	97.14%	89	4	4.55%	95.45%
S34 Law & Governance	22	0	0.00%	100.00%	83	0	0.00%	100.00%
S01 Policy, Culture & Communications	5	0	0.00%	100.00%	26	1	3.85%	96.15%
S02 Executive Support	2	1	50.00%	50.00%	15	1	6.67%	93.33%
S03 Business Transformation	1	0	0.00%	100.00%	1	0	0.00%	100.00%
	2055	146	7.20%	92.80%	7216	400	3.24%	96.76%

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