

Report to: Executive Board, 2<sup>nd</sup> December 2002, and Council 9<sup>th</sup> December 2002.

**GENERAL FUND BUDGETARY POSITION 2002-03**

<p><b>Report of:</b> <i>Strategic Director, Finance and Corporate Services</i></p> <p><b>Report Author:</b> <i>Alan Flockton</i></p> <p><b>Lead Member Responsible:</b> <i>Councillor Hollingsworth</i></p> <p><b>Overview and Scrutiny Committee Responsibility:</b> <i>Finance and Performance Management</i></p> <p><b>Key Decision:</b> <i>No</i></p>	<p><b>WARDS AFFECTED</b> All</p>
<p><b>SUMMARY AND RECOMMENDATIONS</b></p> <p>This report updates Executive Board on the budgetary position for the current year and makes a revised forecast of year end balances.</p> <p>Executive Board is asked to</p> <ol style="list-style-type: none"> <li>1. Recommend that council approve the latest spend forecast of £24,238,000 as the revised budget for the year. (Table 1)</li> <li>2. Note that this results in a revised balance forecast of £3,361,000 at 31<sup>st</sup> March 2003.</li> <li>3. Note that there is a contingency of £500,000 .</li> <li>4. Note that business managers are currently investigating a number of possible problems and savings, but that these are unlikely to significantly alter the overall financial position.</li> </ol>	

THIS REPORT HAS BEEN SEEN AND APPROVED BY:  
M Luntley - Strategic Director of Finance and Corporate Services  
Cllr A Hollingsworth – Portfolio Holder

Background papers: Executive Board Reports 9<sup>th</sup> September, item 4  
27<sup>th</sup> September, item 10, 8<sup>th</sup> July, item 7, Council Agenda 14<sup>th</sup> October 2002,  
EB32.

## **1. The budget process**

1.1 The Council has made two adjustments to its budget agreed at the start of this year.

- At the start of the year Members agreed to fund £500,000 of “one off” items and £340,000 of spending “carry forward” from last year.

1.2 On 14<sup>th</sup> October 2002, following a £2.5m savings exercise, the Council updated its budget. Business Managers were tasked with finding 10-12% from their controllable budgets, together with £808,000 of other costs they identified at that same time.

1.3 Not every Business Manager was able to meet their saving target. Council reluctantly agreed a budget which included £532,000<sup>1</sup> of spending, to be funded from balances.

1.4 The use of balances has also been approved for the funding of the Oxford Building Solutions’ best value review

1.5 The effect of these changes is that this year the Council is now budgeting to spend £24,566,000.

## **2. Spending against this budget**

2.1 Many budgets are straightforward to predict, but a number of cost centres (such as homelessness) are demand led, and may change in the year. However we currently estimate the City will underspend its revised budget by about £328,000.

2.2 Table 1 (overleaf) summarises the budget changes agreed and estimated spending.

2.3 Appendix 1 shows this underspend analysed by business unit. These net figures tie back to previous budget reports. These net figures include internal recharges and capital costs, which Members have rightly noted make variations hard to understand.

2.4 Consequently Appendix 2 shows the gross cost of each business unit. Variations can be seen in the context of total spending. The figures reflect the business unit before September. Future reports will be on the basis of the revised structure.

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<sup>1</sup> The key table setting out savings achieved and cost pressures identified is on page EB32 of the Council Agenda of 14<sup>th</sup> October 2002.

**Table 1 - Revised Budget and Forecast Spend**

	£
Original budget	23,644,000
Carry forward	340,000
One off items (new initiatives)	500,000
Approvals 14 <sup>th</sup> October 2002 excluding contingency	32,000
OBS Best Value 14 <sup>th</sup> October 2002	50,000
<b>Revised Budget Before Contingency</b>	<b>24,566,000</b>
Estimated net underspend	(328,000)
<b>Forecast Spend for Year Before contingency</b>	<b>24,238,000</b>

2.5 If the City spends in line with this forecast, it will have balances of £3,361,000 at the end of this year.

### **3 Key variations**

The main variations which make up the £328,000 net savings are summarised below.

#### **Homelessness**

3.1 A saving on Homelessness spend is predicted. However the service is demand led, and where the relevant criteria are met, the City has no option but to provide assistance. Although there is no reduction in the number of acceptances, savings are likely to be achieved following

- Better use of the Council's own stock.
- A change in allocations policy
- Introduction of the lease scheme which is much cheaper than nightly charge.

3.2 However these estimates are sensitive to the assumptions made. If we need to procure an additional 20 units between now and March 31<sup>st</sup> our costs would increase by £100,000.

- 3.3 There is an unresolved issue concerning rent officer referrals in respect of properties supplied by Oxford Social Lettings Agency. This has been under review for some time and it is hoped it will be resolved in time for three year budget planning. Although the forecast underspend takes into account our best estimate of these costs, firmer figures will only be available once the issue is resolved.

#### Property

- 3.4 MacMillan House has been sublet from September 2002. The tenant has been granted a six month rent free period, but will nevertheless be responsible for rates and service charges immediately. The saving from this arrangement is £33,000 in the current year.
- 3.5 However there will be an additional cost of £21,000 on Thomas Hull House (above the £7,000 reported at 27<sup>th</sup> September Executive Board). This consists of £20,000 for an additional three month rent free period and an additional £1,000 for other costs.
- 3.6 Required energy savings of £50,000 are not achievable in the current year, although a spend to save proposal is to be reported shortly. Savings are likely in future years.

#### Financing Adjustments

- 3.7 Interest earned on external investments is forecast to be £337,000 higher than budgeted. Capital receipts balances have increased since the budget was set last January, capital spending is lower than forecast and interest rates have held up better than expected.
- 3.8 Interest payable on internal balances (mainly developer contributions) needs to increase by £111,000
- 3.9 Payments to South Oxfordshire District Council for management of debt on assets transferred at the boundary change can no longer be fully recharged to the housing revenue account. However there is an allowance for this now included in the main charge to the HRA (paragraph 2.10 below) which otherwise would have reduced further
- 3.10 Housing Revenue Account debt has reduced and the reimbursement to the general fund for managing this therefore falls.
- 3.11 The minimum revenue provision (the amount legally required to be transferred to the balance sheet for repayment of debt) increases by £37,000.

#### Pay

- 3.12 At 8<sup>th</sup> July 2002 we predicted that the £260,000 saving on pay inflation (which was included in the original budget) would probably not be

achieved. This was because it seemed the pay award would be 4% not the 3% originally assumed. In the event the 4% pay settlement was only payable from October and included in the £260,000 were amounts due to City Works employees (a separate account). The net effect is a £166,000 general fund saving.

- 3.13 The cost of regularising service conditions for casual staff are still uncertain. The Personnel Business Manager notes there are complex personnel issues. At 8<sup>th</sup> July 2002 we estimated the probable cost as £50,000. Further investigations reveal that £100,000 is a more likely scenario. The additional cost of £50,000 is shown here.
- 3.14 Additional ongoing redundancy costs of £134,000 were reported to September 9<sup>th</sup> Executive Board.

#### Income under budget

- 3.15 Museum income is forecast to be £10,000 under achieved.
- 3.16 Carfax Tower has an income budget of £52,000 but as it now opens only in summer, it is likely to achieve only £19,000. The income budget for 2003/04 is £28,000.
- 3.17 Unachievable print unit income was reported at September 9<sup>th</sup> Executive Board

#### Audit fees

- 3.18 District Audit Fees are likely to be £80,000 higher than budget (comprising £25,000 on basic fee and best value, £39,000 on grants work and £16,000 on benefits overruns). We shall be making representations to the District Auditor about the recent rate of increase in these fees.

#### Other

- 3.19 Following investigation by the council's VAT officer and our external advisers, a VAT refund of £98,000 has been achieved. This relates to excess charges on car parks, which have now been deemed not subject to VAT
- 3.20 Agreement has been given to funding the MORI staff survey at a cost of £8,000.
- 3.21 These cost pressures and savings are summarised in table 2 (overleaf).

**Table 2- Corporate Savings and Pressures**

		£	£
<b>Homelessness</b>			
Homelessness Underspend (part ongoing)	Homelessness	(560,000)	<b>(560,000)</b>
<b>Property</b>			
MacMillan House rates saving (ongoing)	Property Investment	(33,000)	
Thomas Hull House disposal (one off)	Property Investment	21,000	
Energy savings (ongoing)	Financial Management	50,000	<b>38,000</b>
<b>Financing Adjustments</b>			
External interest	Appropriations	(337,000)	
Interest payable on internal balances	Appropriations	111,000	
Payments to South Oxfordshire	Asset Management	152,000	
Reduced reimbursement by HRA	Asset Management	20,000	
Minimum Revenue Provision	Appropriations	37,000	<b>(17,000)</b>
<b>Pay</b>			
Pay award (ongoing)	Contingency	(166,000)	
Casual Staff (part ongoing)	Leisure and Culture	50,000	
Redundancy costs (ongoing)	Chief Exec	134,000	<b>18,000</b>
<b>Under-Achievement of Income</b>			
Museum income (ongoing)	Leisure and Culture	10,000	
Carfax Tower Income (ongoing)	Leisure and Culture	33,000	
Print Unit unachievable income (ongoing)	Facilities Management	160,000	<b>203,000</b>

<b>District Audit Fees</b>			
District Audit Fees (ongoing)	Financial Management	80,000	<b>80,000</b>
<b>Other</b>			
VAT refund (predominantly one off) Excess Charges Car Parks	Contingency	(98,000)	
MORI Staff Survey	Contingency	8,000	(90,000)
<b>Total</b>			<b>(328,000)</b>

#### **4. Items Subject to Further Investigation (not quantified or included)**

- 4.1 Planning fee income for the year to date is higher than originally forecast. Further work is being undertaken to ascertain whether this is likely to continue for the remainder of the year.
- 4.2 The Information Systems business manager will be presenting a report on the funding requirements for the next agresso upgrade.
- 4.3 Although there is a saving on the local cost of benefits due to an increase in subsidy on the final (unaudited) 2001-02 claim, there are potential additional costs. The effect of these is currently under investigation.
- 4.4 The likely extent of buying team savings remains under investigation. Although there may be substantial savings these may benefit the housing revenue account to a greater extent than the general fund.

#### **5. Summary**

- 5.1 General fund spending for the year is now forecast to be £328,000 lower than the revised budget approved on 14<sup>th</sup> October 2002. The key factor in achieving this is the lower spending on homelessness. However this a demand led budget which has previously proved very hard to predict with any great accuracy.

## Appendix 1 - Budgets by Business Unit

	<b>Budget</b>	<b>Latest</b>	<b>Variance</b>
		<b>Forecast</b>	
<b>Business Unit</b>	<b>£</b>	<b>£</b>	<b>£</b>
Strategic Policy and Research	741,000	741,000	
Corporate Strategy	43,000	43,000	
Human Resources	171,000	179,000	8,000
Modernisation	449,000	449,000	
Chief Executive	20,000	154,000	134,000
Corporate and Democratic Core	3,410,000	3,410,000	
Financial Management	(1,000)	129,000	130,000
Revenues and Benefits	4,441,000	4,441,000	
Legal Services	(79,000)	(79,000)	
Internal Audit	(36,000)	(36,000)	
Information Systems	(236,000)	(236,000)	
Property Investment	597,000	585,000	(12,000)
Facilities Management	439,000	599,000	160,000
Housing Management	5,360,000	5,360,000	
Customer Services	279,000	279,000	
Homelessness	4,509,000	3,949,000	(560,000)
Neighbourhood Renewal	4,113,000	4,113,000	
Environmental Health	1,255,000	1,255,000	
Built Environment	285,000	285,000	
City Works	4,683,000	4,683,000	
Planning	1,671,000	1,671,000	
City Centre Management	99,000	99,000	
Transport and Parking	1,896,000	1,896,000	
Leisure and Culture	3,088,000	3,181,000	93,000
Parks and Green Spaces	3,114,000	3,114,000	
Administration	(248,000)	(248,000)	
Highways	360,000	360,000	
Asset Management Account	(6,993,000)	(6,821,000)	172,000
Appropriations	(9,024,000)	(9,213,000)	(189,000)
Corporate Saving (VAT refund)		(98,000)	(98,000)
Pay award contingency (unused element)	166,000		(166,000)
Corporate supplies saving not fully allocated	(6,000)	(6,000)	
<b>Revised Budget Before Contingency</b>	<b>24,566,000</b>	<b>24,238,000</b>	<b>(328,000)</b>
General Contingency	500,000	500,000	
<b>Revised Budget</b>	<b>25,066,000</b>	<b>24,738,000</b>	<b>(328,000)</b>



## Appendix 2

**Analysis of Business Unit Budgets Excluding Recharges and Capital Charges**

	Spend	Forecast		Income	Forecast		
	Budget	Spend		Budget	Income		
	Excluding	Excluding	Spend	Excluding	Excluding	Income	Overall
	Recharges	Recharges	Variance	Recharges	Recharges	Variance	Variance
Business Unit	£	£	£	£	£	£	£
Strategic Policy and Research	1,058,000	1,058,000		(478,000)	(478,000)		
Corporate Strategy	603,000	603,000		(15,000)	(15,000)		
Human Resources	618,000	626,000	8,000	(4,000)	(4,000)		8,000
Modernisation	1,368,000	1,368,000		(10,000)	(10,000)		
Chief Executive	368,000	502,000	134,000	0	0		134,000
Corporate and Democratic Core	726,000	726,000		0	0		
Financial Management	(3,389,000)	(3,259,000)	130,000	(99,000)	(99,000)		130,000
Revenues and Benefits	4,678,000	4,678,000		(2,062,000)	(2,062,000)		
Legal Services	857,000	857,000		(418,000)	(418,000)		
Internal Audit	331,000	331,000		(53,000)	(53,000)		
Information Systems	1,197,000	1,197,000		0	0		
Property Investment	7,463,000	7,430,000	(33,000)	(5,386,000)	(5,365,000)	21,000	(12,000)
Facilities Management	1,102,000	1,102,000		(766,000)	(606,000)	160,000	160,000
Customer Services	903,000	903,000		0	0		
Oxford Building Solutions	(63,000)	(63,000)		0	0		
Neighbourhood Renewal	2,740,000	2,740,000		(163,000)	(163,000)		
Environmental Health	1,768,000	1,768,000		(300,000)	(300,000)		
Housing Services (including homelessness)	9,189,000	8,629,000	(560,000)	(619,000)	(619,000)		(560,000)
Built Environment	901,000	901,000		(657,000)	(657,000)		
City Works	5,059,000	5,059,000		(813,000)	(813,000)		
Planning	1,622,000	1,622,000		(594,000)	(594,000)		
City Centre Management	88,000	88,000		0	0		
Transport and Parking	4,053,000	4,053,000		(5,180,000)	(5,180,000)		
Leisure and Culture	4,713,000	4,763,000	50,000	(2,522,000)	(2,479,000)	43,000	93,000
Parks and Green Spaces	3,299,000	3,299,000		(722,000)	(722,000)		
Administration	801,000	801,000		(3,000)	(3,000)		
Highways Holding	3,000	3,000		0	0		
Appropriations	(3,764,000)	(3,616,000)	148,000	(5,260,000)	(5,597,000)	(337,000)	(189,000)
Asset Management Revenue Account	2,745,000	2,917,000	172,000	(14,120,000)	(14,120,000)		172,000
Corporate saving (VAT refund)					(98,000)	(98,000)	(98,000)
Pay award contingency unused element	166,000		(166,000)				(166,000)
Corporate supplies saving not fully allocated	(6,000)	(6,000)					
<b>Revised Budget</b>	<b>51,197,000</b>	<b>51,080,000</b>	<b>(117,000)</b>	<b>(40,244,000)</b>	<b>(40,455,000)</b>	<b>(211,000)</b>	<b>(328,000)</b>
General contingency	500,000	500,000					
<b>Revised Budget</b>	<b>51,697,000</b>	<b>51,580,000</b>	<b>(117,000)</b>	<b>(40,244,000)</b>	<b>(40,455,000)</b>	<b>(211,000)</b>	<b>(328,000)</b>

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