

Report to: Executive Board November 29<sup>th</sup> 2004  
Council January 17<sup>th</sup> 2004

## Second Quarter Monitoring report

<b>Report of:</b> Strategic Director for Finance & Corporate Services	<b>WARDS AFFECTED</b>  <b>ALL</b>
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<b>Lead Member Responsible:</b> Councillor Hollingsworth	
<b>Overview and Scrutiny Committee Responsibility:</b> Finance & Performance Management	
<b>Key Decision:</b> No	

### SUMMARY AND RECOMMENDATIONS

This report explains our second quarter budget position. Much of the detailed financial information has already been presented in the half yearly budget monitoring book ("red book") which was previously circulated to all Members.

At the 30<sup>th</sup> September 2004 the Council was spending a net £812,000 under its half year General Fund budget. Business Managers also have identified a range of potential spending pressures.

The Housing Revenue Account was underspent by £1,014,000 at 30<sup>th</sup> September.

The pace of spending on the capital programme remains slow. Part of this is due to OBS reporting delays in raising invoices. Business Managers have also reviewed their capital spending programmes and have identified £4.2 million of spending which they now believe will not be delivered in the current year and will "slip" into 2005-6. This paper sets out that slippage and provides explanation for the major delays.

We finish by setting out what our general fund and HRA are likely to be at the end of the year, based on current spending trends.

The Executive Board is asked to:

- a) Consider which of the budget variations affecting Council Balances and listed in appendix A Executive Board will recommend to council for approval and which variations require additional information.
- b) Recommend to Council to approve all variations to the budget listed in the red book pages 8-11 (Appendix C) that do not affect the level of balances
- c) recommend to Council to approve the variations to the Capital budget listed in pages 14-16 of the Red Book (Appendix D)
- d) recommend to Council approval of requests for carryforwards shown in Table 1.

## **Introduction**

This report sets out the Council's second quarter spending and invites Members to consider changes that have happened since the budgets and business plans were agreed at the start of the year.

Of course, even the best business plans can't always anticipate unforeseeable events.

The general principle Members have adopted is that Business Managers are responsible for their own plans and budgets. However significant and unforeseeable events will be looked at and, where appropriate, additional funding found.

## **Corporate pressures and savings**

Most Business Units are under-spending their budgets. In some cases this is because income or spending does not follow 12 equal, convenient months. Several managers have reported difficulties in recruiting and retaining staff.

We generate income on our £60 million cash in the bank. We predict we will generate an extra £475,000 over and above what we originally estimated. I propose this is returned to central reserves.

The cost of funding the difference between what we pay in benefits and what we can claim back from Government continues to create difficulties. We estimate that costs could be as much as £500,000. The Business Manager has been working to contain this amount. I have asked for a report, setting out the reasons for this and actions being taken, to be put to Executive Board. Members will then be able to take a view about what, if any, sums should be put towards this area.

The corporate budget assumed some £325,000 of fees would be charged to capital. This has proved hard to achieve and the 2005-6 budget has been adjusted to exclude this amount.

### **Specific items by Business Unit**

Appendix A sets out the cost pressures/requests for funding from Business Managers. A comment from the S151 Officer is included in Italics.

If Members accepted the freedom of information, planning and insurance variations the total cost would be £138,000.

The figures in Appendix B show that if the recommended variations are approved, the general fund balances will be £3.1m.

### **Virements (transfers of budgets)**

Transfers of budgets are part of the day to day running of a council. For example Customer Services recently took on the staff in Council tax who dealt with telephone calls. This means we have to adjust the Customer Services budget up and the Council Tax budget down - by the same amount.

Under our current financial regulations these virements need to be agreed by Council. They are listed in Appendix C (pages 8-11 of the Red Book).

### **Delays in spending the capital programme**

Members agreed a capital programme at the start of the year. However we have not spent money as fast as originally budgeted for. Officers report £4.2m of spending will "slip" from this year into next. The list of projects slipping is set out in Appendix D.

The most significant areas are:

Oxford Automotive site      Spending of £1m will slip into 2005-6 because the proposed scheme is being reassessed and an alternative is likely.

Barton pool      We will not be able to spend £952,000 of this budget because of delays in getting approval from "Sport England" (who are part funding the project).

Transport and Parking      Peartree and Seacourt park and ride work was previously slipped. Officers report that work at Redbridge will also not take place in the year.

Executive Board is asked to recommend Council to approve the capital changes to the budget framework.

### **HRA forecast**

The forecast for HRA balances is £5.5m, an in year increase of £1.5m. An improved Housing Subsidy forecast of £0.9m accounts for most of the increase. The remainder comes from reductions in expenditure. These are detailed in the "Forecast 2004/05 and Draft 2005/06 Budget" report to HRAMB on 3<sup>rd</sup> November and will be recommended to Council as budget variations separately

### Carry-forwards

Some business units have already identified where they will under-spend at the end of this year. Those managers have requested approval to "carry forward" their unneeded budget.

Members have rightly promoted the principle of three-year budgeting, allowing managers greater flexibility between years. This flexibility was part of the approach of promoting greater discipline from officers in planning ahead for wage and other inflation.

I have been asked to bring forward a paper showing under and overspends by business unit for the last two years, to help inform budget thinking. Members may wish to note these requests to carry forward un-used budgets at this time, but defer judgement until the shape of the 2005-6 budget is somewhat clearer.

Table 1: List of carryforwards requested

Carryforward	Amount
Customer services - employee underspend to fund savings target in 2005/6	25,000
Planning - underspend on planning delivery grant due to delays in recruitment	54,000
Planning - underspend on contribution to West End project due to delay	14,000
Transport & Parking - employee underspend to fund savings target in 05/06	30,000
Total	123,000

THIS REPORT HAS BEEN SEEN AND APPROVED BY

Alex Hollingsworth, Portfolio Holder  
Mark Luntley, Strategic Director

Background papers:

Council Budget 2004/05 and indicative budget for 2004  
2005/6 and 2006/7. Executive Board 16<sup>th</sup> February  
Red Book – Financial & Performance Management  
Information September 2004

Forecast 2004/05 and Draft 2005/6 Budget . HRAMB 3<sup>rd</sup>  
Nov 2004

