

Report of: Strategic Director of Finance & Corporate Services

Title: 1st quarter budget monitoring report 2005-06

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Key Decision: No

Lead Member: Councillor Hollingsworth

Scrutiny responsibility: Finance

RECOMMENDATIONS

That the Executive Board agrees to:

1. Approve the budget changes set out in Appendix 4
2. Consider the request for a supplementary estimate of up to £100,000 to fund projects approved by Area Committees
3. Ask the Director of Finance and Corporate Services for a further report (for October's Board meeting) setting out: the Council's VAT situation and the position in regard of provisions in the accounts.

1. Summary

- 1.1 The purpose of this report is twofold: to report the final (unaudited) outturn position for 2004-05; and to set out the Council's budget position for the first quarter of 2005-06, period ending 30 June 2005.
- 1.2 The detailed financial information has been included in a number of appendices, listed below and referred to in the report

Appendix

- 1 General Fund revenue monitoring summary 2005-06 at 30 June 2005
- 2 HRA revenue monitoring summary 2005-06 at 30 June 2005
- 3 Revenue budget review and forecast 2005-06 (General Fund and HRA)
- 4 General Fund requested budget changes
- 5 Capital programme monitoring summary 2005-06 at 30 June 2005 (General Fund and HRA)
- 6 Projected balances

2. 2004-05 Final outturn position

- 2.1 The final outturn position for 2004-05 was reported to Audit Committee on 29 July, the provisional figures previously having been reported to Executive Board on 9 May 2005.
- 2.2 The General Fund net spending was £22.3m for 2004-05, £2.7m less than the final approved budget.
- 2.3 In May 2005, we reported that there were entries in the accounts that may not be necessary once the accounts were finalised. Two items are still outstanding. We may still need to include a £270,000 provision for VAT. This is because if we do not achieve our planned income targets Customs and Excise may “clawback” VAT 2005-06. We propose setting the details of VAT arrangements in a specific report to Executive Board.
- 2.4 The 2003-04 benefits claim is still being audited, as previously reported sampling has indicated that the Council may have overclaimed Benefit subsidy, estimated at £150,000 (an error rate of 0.4%).
- 2.5 The Housing Revenue Account’s final underspend was £423,500 in 2004-05, compared with the provisional figure of £537,700 reported to Executive Board in May 2005.
- 2.6 The level of balances on both the HRA and General Fund are set out later in the report.
- 2.7 Final expenditure on the capital programme in 2004-05 was £18.8m (General Fund and HRA combined), 80% of the original budget, as reported in May 2005.

3. 2005-06 1st quarter budget monitoring

- 3.1 Much of the detailed financial information is presented in the Financial & Performance Information book (the red book) recently circulated to members.

General Fund

- 3.2 At 30 June 2005, the General Fund is showing a net underspend of £577,100 on its profiled budget and a projected year-end variance of £314,800. Appendix 1 shows the controllable expenditure and income against profiled budget for each business unit together with a projected year-end position for each business unit. Controllable expenditure and income excludes capital charges and charges between business units, which are shown as one line on the report for the whole of the General Fund. This allows business managers to focus on costs and income that business units can influence directly. Commentary on variances is

provided in the red book, the most significant of which are identified below:

- Financial & Asset Management shows a net underspend of £279,000 mainly from additional commercial property income, which is being analysed to assess the true year-end position. The first call on any additional income will be the accommodation saving which is unlikely to be achieved in 2005-06.
- Revenues & Benefits is overspending its budgets by £129,000 at June. This is partly due to employing extra staff to collect overdue debts. The intention is this will result in lower debt arrears and less need for debts to be written off. Such savings show as a corporate saving (in lower bad debt provisions) not against the Business Unit. Finance Scrutiny is looking at this area in its September meeting.
- City Works is overspending by £328,000, the largest element of which is due to temporary staff and overtime covering vacancies but it is anticipated that the overspend will be brought into line by the year-end.
- Leisure & Parks is showing an underspend of £214,000 to June from lower spending than expected, which is masking a shortfall on income. Officers in Finance and Leisure are working together to review this area.

3.3 Only two business units are projecting variances at year-end at this point in the year, although the profiled variance indicates that there are likely to be more by year-end. Revenues and Benefits are projecting that by the end of the year their overspend could rise to £250,000. Transport & Parking business unit has identified that they may not spend the additional £400,000 concessionary fares budget pending the outcome of the national consultation on the revised English scheme.

Housing Revenue Account

3.4 Appendix 2 sets out the financial position for the Housing Revenue Account. At 30 June 2005, there is a net underspend of £142,800. Overall income is slightly down on profile which is offset by lower expenditure than planned, made up of a number of factors. Again, the red book provides commentary on the variances. There is no variance projected at year-end on the HRA.

Budget movements

3.5 Appendix 3 sets out the budget movements from the original budget approved at Council in February 2005 for both the General Fund and the HRA, broken down into approved changes (carryforwards, virements approved under delegated powers and correction of capital charges budgets), requested changes and forecast changes. The introduction of the new Financial Regulations has resulted in fewer changes to budget requiring approval by the Executive Board. Those that do are shown in

Appendix 4. The forecast changes are those projected at year-end that do not require approval presently, the detail of which is given in paragraph 3.3.

Capital Programme

3.6 A summary of the capital programme is shown in Appendix 5. The original capital programme for 2005-06, approved at Council in February 2005 has been updated for slippage and new approvals. £5.8m has been added to the General Fund capital programme through slippage and new approvals, the most significant of which are listed below:

- Barton Pool £1,754,000 (externally funded)
- Blackbird Leys Leisure Centre £848,800 (externally funded)
- Simon House refurbishment £600,000 (externally funded)
- Vehicles £702,000 (funded from lease cost budgets)

3.7 As in previous years, spending is behind schedule with only 9% of the General Fund and 20% of the HRA being spent by the end of June, including accruals. The capital monitoring group is currently undertaking a detailed examination of the deliverability of the capital programme and the outcome of this will be used to inform a report to Executive Board in October on the Council's medium term capital strategy.

Area Committees

3.8 Area committees were allocated capital funding to allow Area Committees discretion and prioritisation of schemes. However, many of the schemes that Area Committees have approved do not qualify as capital expenditure. A note has been circulated to members and managers across the Council providing guidance on the definition of capital expenditure. Expenditure should be charged to a revenue account except where it meets the statutory definition of expenditure for capital purposes. For 2005-06, Area Committees have revenue budgets of £162,000 (excluding carryforwards) but this is insufficient to fund the projects already identified and expected by the public. Members are asked to consider a request for a supplementary estimate of up to £100,000 from revenue in 2005-06 to fund some of these projects. Although the position on balances, and the projected year-end results are both favourable, it should be borne in mind that the budget for 2006-07 faces pressure through not all the Big Savings being delivered (as reported separately to Finance Scrutiny Committee), and that Council, when approving the Council tax for 2005-06 asked that the first call on underspends should be for unfunded items in the Corporate Plan.

Balances

3.9 The attached balances table, Appendix 6, shows the effect of the changes outlined in the report. General Fund balances are estimated to be £4.2m at 31 March 2006. HRA balances are at the recommended

minimum level of £2.0m. Members have previously agreed that any HRA balances over and above £2.0m are to be used for Direct Revenue Funding of decent homes capital expenditure.

3.10 As part of its budget setting process each year the Council considers a report that its Section 151 Officer is required to make under the Local Government Act 2003 that reviews and recommends the appropriate level of balances that should be maintained.

THIS REPORT HAS BEEN SEEN AND APPROVED BY:
Portfolio Holder: (Leader - Councillor Alex Hollingsworth)
Strategic Director: (Finance & Corporate Services - Mark Luntley)
Financial Management: (Penny Gardner, Mike Baish)

Background papers: (None)