

Report of: Strategic Director, Finance and Corporate Services

To: Executive Board

Date: 17th July 2006

Item No:

Title of Report : Year End Financial Monitoring Report 2005-06



Summary and Recommendations



Purpose of report: To report the Council's financial position at the end of 2005-06 and to set out the carry-forward process.



Key decision: No

Portfolio Holder: Councillor Stephen Tall

Scrutiny Responsibility: Finance

Area(s) affected: All

Report Approved by: Councillor Stephen Tall; Mark Luntley, Strategic Director, Finance and Corporate Services; Jeremy Thomas, Head of Legal and Democratic Services



Policy Framework: Financial Stability



Recommendation(s): That Executive Board:



- a) note the year end financial position
- b) approve the General Fund carry-forwards as set out in paragraphs 6 to 9 and Appendix 5
- c) approve the HRA carry-forwards as set out in paragraph 15
- d) approve the supplementary estimates as shown in paragraph 12 which total £86,300 in 2006/07, £45,890 in 2007/08 and £456,890 in 2008/09



Summary

1. This report reviews the Council's year-end financial position. Detailed financial information has been presented in the quarterly monitoring pack, (red book), previously circulated.
2. Reporting against the revised budget (the third quarter forecast) approved by Council in February, General Fund net spending was £286k below budget, the Housing Revenue Account (HRA) net spending was £777k below budget, and capital spending reached £22.9 million, £1.1 million more than the previous estimate.
3. Key financial information is attached in a number of appendices, listed below:

Appendix

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|---|--|
| 1 | General Fund revenue monitoring summary 2005-06 at 31 March 2006 |
| 2 | HRA revenue monitoring summary 2005-06 at 31 March 2006 |
| 3 | Capital programme monitoring summary 2005-06 at 31 March 2006 |
| 4 | Projected balances |
| 5 | General Fund proposed carry-forwards by Business Unit. |

General Fund

4. Net expenditure on the General Fund was £286k below the revised budget. This figure was provisionally reported as £332k in the Red Book; an additional provision of £46k has been made for the Local Cost of Benefits relating to an audit adjustment.
5. Within the net under-spend, Business Unit net spending was £191k more than the revised budget. Below Business Unit totals, the Local Cost of Benefits is shown as £689k under-spent, largely as a result of a good rate of recovery during the year of overpaid housing benefits. This has reduced the level of provision required to cover outstanding debts, whereas the forecast assumed that the provision would need to be increased

Carry-forwards

6. In February Council approved three specific carry-forward requests totalling £115,000 and adopted the principle that any further Business Unit variances from the revised budget should be carried forward into 2006-07. The revised budget enabled the minimum level of balances to be maintained whilst accommodating planned spending in the approved budgets for the three years to March 2009. The net underspend of £286k provides the opportunity to review the position.

7. Executive Board has established a general principle of carrying forward Business Unit variances that fall within 2% of the unit's controllable costs. It is therefore proposed that Business unit net expenditure variances (both under and overspends) that are less than 2% of controllable cost are carried forward. Members have asked Business Managers with under-spends of up to 2% to be carried forward, to set out how these funds will be used to add value to the Council's activities.
8. Three Business Units had under-spends greater than 2% of their controllable costs. Both Built Environment and Financial and Asset Management have under-spends due to restructuring costs delayed from 2005-06 to 2006-07, and it is proposed that budgets are carried forward to cover these items. Financial and Asset Management have also requested a carry-forward of £88k to cover elements of the 2005-06 internal audit programme deferred until 2006-07. Audit and Governance Committee have approved the inclusion of the deferred audits in the 2006-07 programme. Other than the above items, under-spends for these two Business Units are below 2% of controllable cost and would be carried forward under the principle outlined in paragraph 7 above. Transport and Parking already had a carry forward of £75k for car park maintenance (approved in February 2006), and have requested that their residual underspend of £107k, 2.5% of controllable cost, be carried forward for essential electrical maintenance.
9. Three Business Units had overspends greater than 2% of controllable cost - City Works, Business Systems and Leisure and Cultural Services. These variances have now been analysed to determine how much of the overspend relates to one-off costs. The following carry-forwards of overspend are proposed:
 - a) Business Systems – the majority of the over-spend related to one-off costs of recruitment and interim management. Proposed carry-forward capped at 2%, £29,549
 - b) City Works – the over-spend of £317,590 consists of a one-off cost of £100k and other variances relating to cost differences between vehicle purchase, leasing and short-term hire. It is proposed to carry forward additional costs due to short-term vehicle hire as compared to leasing, amounting to £68,000. Due to delays in the purchase of new vehicles given uncertainty over details of the new recycling scheme, there will be further additional costs to be met in 2006-07 of around £34,000
 - c) Leisure and Cultural Services – analysis has identified a number of one-off costs included in the over-spend and a carry-forward limited to £100,000 is recommended.

Projected Balances

10. The total proposed carry forward from Business Units outlined above and summarised in Appendix 5, allocates £154,547 of the overall underspend from 2005/2006.

11. The three-year budget is prepared on the basis that balances must not fall below £3 million over the whole budget period. In considering how any balances above the minimum may be used, amounts required from balances in the budget approved by Council in February 2006 must be taken into account. In addition, in June 2006 Council approved budget virements as part of the creation of a single HRA business unit which resulted in additional costs to the General Fund over the three year budget period. Council also approved the Independent Remuneration Panel's recommendations on Members' Allowances adding costs of £179k over three years.
12. Items suggested by Members as priorities for utilising balances have been received as follows:

	2006-07	2007-08	2008-09
Details	£	£	£
Making museum entry to the public free	20,300	29,890 ¹	29,890 ¹
Enhanced Events provision	8,000	8,000	8,000
Support for bringing the cost of the Lord Mayor's Deposit Guarantee Scheme in-house	50,000		
Saturday operation of Shopmobility scheme	8,000	8,000	8,000
Total for Supplementary estimates	86,300	45,890	45,890
Retain in balances to minimise future Council Tax increases	50,000		

13. The impact on balances over the three budget years is set out in Appendix 4. Taking account of the Member priority bids listed above, balances remain above the minimum recommended level throughout the period. However, there is insufficient left above the minimum to either be retained towards the aim of minimising future Council Tax increases or meeting other pressures. These include corporate items, such as the preparatory work required to assess the potential for achieving unitary status for the City Council and issues specific to individual business units and service areas.

Housing Revenue Account

14. The net surplus on the Housing Revenue Account was £777k greater than the revised budget. Carry forward requests totalling £340k were considered and recommended for approval by the Housing Advisory Board at its meeting on 14th June 2006. This will leave a balance of

¹ Loss of income only, excludes any additional costs that may be necessary.

£437k to be used as Direct Revenue Funding for capital expenditure in 2006/2007.

15. The carry-forwards are summarised in the following table:

£000's	Reason
200	For HRA Improvement work in order to progress the Improvement Plan. Work is in progress and overlaps financial years. On-going projects include establishing the new Contact Centre for all HRA queries. There are other on-going issues including updating procedures and staff / tenant representative training associated with this work, updating publications, leaflets etc.
60	To purchase a Customer Relations Management system and train the staff on the new system.
35	To provide effective interfaces between the CRM system and the other Housing databases.
30	To prepare and issue an updated Repairs Book to all tenants and also prepare and issue a Repairs Book to leaseholders.
6	To update the Customer Aided Design system in order to improve the efficiency of the Major Works Team when designing Decent Homes works.
9	To provide a First Aid Room at the Horspath Road Depot. This site will be the base for some 350 staff together with tenants using the Tenant Resource Centre and there is a need to provide facilities that comply with the legislative requirements.

Capital Programme

16. Capital spending reached £22.9 million, £1.1 million more than forecast, HRA expenditure was within 1% of the forecast £14.4 million expenditure. General Fund expenditure exceeded forecast by £1.2 million, mainly due to projects delivered ahead of the profiled budget, such as Barton Pool.
17. The impact of earlier expenditure will be reflected in a reduced budget for 2006-07. The forward capital programme will be presented for review in a separate report to be submitted to a future Executive Board meeting.

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Background papers: None

