

Report of: Strategic Director, Finance and Corporate Services

To: Executive Board

Date: 14th May 2007

Item No:

Title of Report : Year End Financial Monitoring Report 2006-07



Summary and Recommendations



Purpose of report: To report the Council's financial position at the end of 06-07.



Key decision: No

Portfolio Holder: Councillor Stephen Tall

Scrutiny Responsibility: Finance



Board(s) affected: All

Report Approved by: Councillor Goddard (Leader of the Council)
Jeremy Thomas (Legal)



Policy Framework: Financial Stability



Recommendation(s): That Executive Board:



- a) note the year end financial position
- b) approve the General Fund Area Committee project carryforward as noted in paragraph 10 and the HRA carryforwards as set out in Appendix 5.



Summary

1. This report reviews the Council's provisional year end financial position. This report is presented 2 months earlier than last year. More detailed financial information will be presented shortly in the quarterly monitoring pack, (red book). The figures are subject to audit by the District Auditor. Final figures will be reported to Audit & Governance Committee on 28th June 2007.
2. Reporting against the approved budget, General Fund net spending was £270k below budget, the Housing Revenue Account (HRA) net spending was £1,508k below budget, and capital spending reached £18.3 million against a budget of £19.6million.
3. Key financial information is attached in a number of appendices, listed below:

Appendix

- 1 General Fund revenue monitoring summary 2006-07 at 31 March 2007
- 2 HRA revenue monitoring summary 2006-07 at 31 March 2007
- 3 Capital programme monitoring summary 2006-07 at 31 March 2007 (General Fund and HRA)
- 4 Projected balances - General Fund and HRA for 2006-07 and future years
- 5 HRA proposed carryforwards for approval

General Fund

4. Net expenditure on the General Fund was £270k below the approved budget. Within the net underspend, Business Unit net spending was £714k more than the approved budget. Below Business Unit totals, there is an underspend of £984k mainly from the Local Cost of Benefits. This has arisen from improvements in the Revenues and Benefits Business Unit leading to faster claims processing, reducing errors and a better rate of recovery of overpaid Housing Benefit claims (87% compared to 81% in 2005/6).

Key changes from the 3rd Quarter position

5. At the end of the third quarter, the forecast year end position was a net underspend of £28k. Although overall the underspend has increased by £242k, Business unit net spending is £122k more than forecast, offset by lower spending on the corporate accounts, notably the Local Cost of Benefits.

6. There are a few business units where the position has changed materially from that reported at the end of the third quarter. These are explained in more detail below:

- *Strategy & Review - change of £108k adverse*
The Q3 target was always going to be very difficult to achieve as Team Management and Strategic Policy had considerable outturn pressures from mid-year. There were various Income shortfalls totalling £40K and cost pressures totalling £53K across the unit against Q3 figures plus a £15K change for a contribution to Planning for West End Regeneration.
- *Human Resources - change of £121k favourable*
The underspend arises from a decision to defer the HR/payroll system project replacement pending the outcome of the Unitary Status bid (£59K) and delay in starting the second Systems thinking intervention (£75K).
- *Revenues & Benefits – change of £96k favourable*
The change is a result of holding 5 posts vacant and better than expected recovery of Court fee costs.
- *City Works – change of £102k adverse*
The change is a result of increased leasing costs of £50K plus other small cost pressures across the Business Unit. The spend also includes £130k of costs for delivery of the new bins. This spend was identified as Capital after the Capital accounts had been finalised and is therefore contributing to the adverse variance. As the bins are financed from Revenue contributions, reopening the Capital accounts to move the spend has no impact on the outturn figures.
- *Leisure & Culture – change of £158k adverse*
The change is due to an increase in rates and other utilities of £84k, maintenance costs of £28k and ongoing retirement costs of £30k plus under achievement of income of £16k.

Impact on 2007-08 budget

7. In setting the 2007-08 budget all known variances that had impacts in future years were assessed and covered in the budget. The new adverse variances listed above have been investigated and are not considered to have any material implications for the delivery of the 2007-08 Budget.

Carryforwards

8. In previous years there have been decisions to carry forward project underspends and last year general under and overspends were carried forward with overspends capped at 2% of controllable cost.
9. The S151 officer has considered carryforward requests and his view is that no Business Unit carryforwards can be permitted from the General Fund. In arriving at this decision, he has reflected on the fact that there has been a net overspend in each Directorate budget and there is, therefore, no money to carry forward from these areas unless the underspend on the corporate budgets is used.
10. Looking ahead to 2008-09, there are considerable budget challenges not least from inflation of approximately £2 million and legislative changes, for example to the Concessionary fares scheme that may impact on the Council's finances. It is therefore thought prudent to return the Council's net underspend to balances to help support the next budget.
11. The only carryforward that is therefore recommended is for Area Committee project underspends of £21,260. This has been treated as an automatic carryforward in previous years and is wholly project based.
12. The impact of this decision is that those projects not delivered in 2006-07 now have to be managed within the 2007-08 budget. Strategic Directors and Portfolio Holders will need to review the demands on Directorate budgets and resources and determine whether these projects should be prioritised within existing resources.

Projected Balances

13. The projected level of balances is shown in Appendix 4. The main changes to balances reported at Quarter 3 are shown in the table below:

	£
Projected balances 31 st March as at Jan 07	(4,721,214)
HB subsidy claims. This sum was estimated to return to balances but the claim has not been settled so spare funding not available	100,000
Additional LABGI grant	(438,000)
Further costs of unitary bid – not required	(140,000)
2006-07 outturn	(242,640)
Area Committee carryforward	21,260
Revised total	£5,420,594

The 2007/8 budget was set with a drawdown from balances of £1.5m. Balances will therefore stand at £3.9m at 31 March 2008, above the £3 million minimum level.

Housing Revenue Account

14. The net surplus on the Housing Revenue Account was £1,508k. This is an improvement of £1.1m underspend from the position reported to HAB in March.

The improvement is a result of additional rental income from both houses and garages of £860k offset by an overspend on Management and Infrastructure overheads £202k. Dwelling income is up by approximately £350k as the budget allowed for more dwelling disposals (principally Rose Hill) and a higher bad debt & non collection rate. There is additional income from Garages of £428k. This is a direct result of double counting void rates and budgeting for a lower income. The garage income will continue into future years pending reviews of garage sites and their redevelopment or disposal. Carry forward requests (shown in Appendix 5) totalling £686k will be considered by the Housing Advisory Board on 9th May 2007.

Executive Board is asked to approve these carryforwards.

Projected HRA Balances

HRA balances are £3.3m against a projection of £2m. During 2006/7, approximately £777k was expected to be used to pay for Capital Funding, this will now be used in 2007/8. The remainder of the increase is from the additional in year income and this will be earmarked for funding Capital expenditure.

Capital Programme

15. Capital spending reached £18.3 million against a budget of £19.6m. On the General Fund, the key reasons for the £0.8m underspend is a delay in purchasing City Works vehicles and equipment for the Refuse and Recycling scheme offset by spend on Simon House and the Key worker scheme being brought forward.

The capital underspend will be carried forward for all schemes that are ongoing.

16. The HRA is underspent by £0.5m. This was primarily due to staff being reallocated for work on Normandy Crescent following the flood.

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Background papers:

Third quarter monitoring report

