

## Report of<sup>[x1]</sup>: Heads of Finance

To<sup>[x2]</sup>: **City Executive Board**      **11<sup>th</sup> June 2008**  
**Council**                                      **30<sup>th</sup> June 2008**

Item No<sup>[EM3]</sup>:

Title of Report <sup>[x4]</sup>: **Year End Financial Monitoring Report 2007-08**



### Summary and Recommendations



**Purpose of report<sup>[x5]</sup>:** To report the Council's financial position at the end of  
 7-08.

**Key decision<sup>[x6]</sup>:** No

**City Executive Board Member<sup>[x7]</sup>:** Councillor Ed Turner

**Report Approved by:** Jeremy Thomas (Legal & Democratic Services)



**Policy Framework<sup>[x8]</sup>:** Financial Stability

**Recommendation(s)<sup>[x9]</sup>:** That City Executive Board:

- a) note the year end financial pon;
  - b) recommend to Council that the General Fund and HRA carryforwards as set out in Appendix 5 be approved;
  - c) recommend to Council that £0.9m is allocated for transformational projects and £1m allocated to community priorities;
- authorise the Chief Executive to approve all transformational projects (whether or not the projects are above £100k in value) .
- recommend Council to approve the list of community priorities listed at Appendix 6 (to follow).

## Summary

1. This report reviews the Council's provisional year end financial position. More detailed financial information will be presented shortly in

the quarterly monitoring pack (blue book). The figures are subject to audit by the District Auditor. Final figures will be reported to Audit & Governance Committee on 25<sup>th</sup> June 2008.

2. Reporting against the approved budget, General Fund net spending was £3.7m below budget, the Housing Revenue Account (HRA) net surplus was £2.1m above budget, and capital spending reached £20 million against a budget of £23 million.
3. Key financial information is attached in a number of appendices, listed below:

Appendix

- 1 General Fund revenue monitoring summary 2007-08 at 31 March 2008
- 2 HRA revenue monitoring summary 2007-08 at 31 March 2008
- 3 Capital programme monitoring summary 2007-08 at 31 March 2008 (General Fund and HRA)
- 4 Projected balances - General Fund and HRA for 2007-08 and future years
- 5 General Fund and HRA proposed carryforwards for approval
- 6 Member Priority projects

### **General Fund**

4. Net expenditure on the General Fund was £4.7m below the approved budget (that is the revised £52k overspend forecast locked in after the October 2007 monitoring).  
Within the net underspend, Service net spending was £2.4m less than the approved budget with corporate accounts underspending by £2.3m.

### Key changes from the 3<sup>rd</sup> Quarter position

5. All Members receive the monthly blue book that details the changes to the forecast year end position. City Executive Board receive quarterly formal monitoring reports, this report therefore details changes from the 3rd Quarter monitoring report presented in March.
6. At the end of the third quarter, the forecast year end position was a net underspend of £946k mainly from the release of provisions and one-off windfalls. This underspend was earmarked for use in the 2008-9 budget. There has therefore been a substantial change in spend between the 3<sup>rd</sup> and final quarter. These changes are detailed below:
  - Project underspends requested as carryforwards £293k  
the various carryforward requests for projects that didn't complete in 2007/8 are listed in appendix xx.

- Senior management restructure underspend £347k  
funding still required to complete project in 08/09,  
requested as a carryforward
- Additional LABGI funding £820k  
This reflects additional funding for 2006 and the award for  
2007. In the budget report, Council agreed to earmark part  
of this to cover 100% of the value of the high risk savings  
agreed for 2008-9 which is £524k.
- Transport & Parking £160k  
Arising from an underspend. on concessionary fares This  
was forecast throughout the year but was expected to be  
required to bolster the concessionary fares provision.  
Settlement with the bus companies suggests no further  
provision is required.
- Finance £300k  
Provision for bad debt not fully required, rate refunds in  
respect of prior years, additional commercial property income
- Local Cost of benefits £200k
- Community Housing £160k

#### Impact on 2008-09 budget and future years

7. Each service has been asked to analyse their variance between windfalls, project slippage, ongoing savings or cost pressures and whether these have been included in 2008-09 budget proposals. The analysis has shown that with the exception of approximately £114k, all underspend variances were included as savings in the 2008-09 budget.

#### Carryforwards

8. Officers have requested carryforwards in respect of incomplete projects and these are listed in Appendix 5.
9. City Executive Board is requested to approve the carryforwards listed at Appendix 5 and in paragraph 6 above.

#### Release of Concessionary Fares Provision

10. In 2006-07 a provision was set up to mitigate against the potential costs following bus operator appeals for higher reimbursement from the concessionary fares scheme. The appeal has now been determined by the DfT for 2006-07, resulting in a net reduction in the payments to operators. Payments for 2007-08 have also now been agreed, based on the 2006-07 determination, and so the provision of £707k has now been released. The full effect of the new national scheme starting in

2008-9 cannot be fully evaluated until we have several months' usage data and so remains a risk to the 2008-09 budget.

#### Creation of Provisions to fund systemic resourcing issues

11. Officers have pre allocated £1m to create reserves. £625k has been set aside to fund the essential works on IT infrastructure and system upgrade and replacement, and the repairs & maintenance backlog. The first budget for 2008-09 presented to Executive Board earmarked £400k of capital for the continuation of IT investment and £900k towards the repairs backlog, these amounts reflected long term Council policy to invest in these areas. The tight 2008-09 budget for both revenue and capital meant that the IT investment was deleted and the contribution to repairs pulled back to £200k.
12. In addition, £375k has been set aside in a reserve to fund any costs associated with the restructures of many service areas. The test for any restructure is that costs are recovered by savings over a period of 3 or 5 years. Applying this test means that the Council does not realise savings contributions towards the overall savings target until the end of the recovery period. Using one-off funding to cover restructure costs will mean that savings can be used to reduce the predicted 2009-10 budget deficit.

#### Projected Balances

13. The projected level of balances is shown in Appendix 4. Balances are expected to be £6.8m as at 31<sup>st</sup> March 2008. The drawdown from balances in 2008-9 will leave balances at £4.9m as at 31<sup>st</sup> March 2009.
14. The strict financial control in 2007-08 and one-off windfalls has left balances considerably higher than the required minimum. This gives the artificial impression that the Council may be in a relatively strong financial position. The level of balances is however set against a forecast budget shortfall of £1.3m in 2009-10 and £2.5m in 2010-11.
15. Progress on delivery of savings for 2008-09 is good. Service Managers have action plans and have put traffic lights on their schemes. Of the £3.9m of required savings, £1.7m have been identified as completed.
16. This level of completion means that we are confident that we can release the new spending bids to action plan stage. Council agreed that each new spend must have an action plan agreed by CEB in order to proceed.
17. The Medium Term Financial Strategy (MTFS) will be updated in June 2008 to take account of all the risks and opportunities impacting on the Council's finances and setting out strategies to balance the budget into the medium term.

## Housing Revenue Account

18. The forecast at the end of the third quarter was for a surplus of £890k. The forecast in January was increased to a surplus of £1,290k to fully take into account underspent budgets which would need to be carried forward into 2008-09.
19. This has increased to an outturn surplus of £2,493k (see Appendix 2) which is £1,203k better than the January forecast, £751k of which relates to a reduction in subsidy payments. The main variations to the January forecast are listed below. Of the £2,493k surplus, £705k will be used to fund carry forwards and £1,260k is being used to offset the one off subsidy increase in 2008-09. The balance has been added to HRA capital financing reserves, identified to fund decent homes capital expenditure in line with each budget set for the HRA to date.
20. Reasons for underspends:

### Rental Income

The Dwelling income of £29,196k was higher than forecast by £111k, and was partly offset by reduced income related to Council House sales.

### Contracting and Repairs Service

There were no major variances compared to the forecast.

### Tenancy Services

The underspend is a result of various minor underspends over the whole of Tenancy Services; mainly supplies and services, but also lower service charge and spend on IT and other equipment.

### Management

The interest received £270k on HRA balances was £50k lower than budget and interest payable of £1,244k was £37k higher than budget. Subsidy is £751k less than forecast, of this £437k was anticipated and will be used to offset pressures in next years budget. The balance is a result of higher rent constraint allowance in 2007-08 and further refund in the 2006-07 subsidy. Job Evaluation is £247k; this is lower than budget by £160k and will also be used towards the subsidy increase in 2008-09. Pension Increases Due is £177k less than the forecast. The amount in the 2007-08 budget and the provision made in 2006-07 is not required, as the pension increase began in April 2008 and was not backdated. The 2006-07 provision is 'returned' to revenue and will increase HRA reserves. Income from recharges to tenants and leaseholders exceeded forecast by £75k, though recharges from other Council services were £78k greater than budget.

21. Officers have requested carryforwards in respect of incomplete projects and these are listed at Appendix 5. City Executive Board is asked to approve these carryforwards.

### **Projected Balances and delivering the budget 2008-9**

22. Balances at year end will therefore stand at £3.9m and are predicted to be £2m as at 31<sup>st</sup> March 2009.
23. Progress on delivery of savings for 2008-09 is good. Service managers have action plans and have put traffic lights on their schemes. Of the £1.0m of required savings, £750k have been identified as completed.

### **Capital Programme**

24. Capital spending was on target in both the General Fund and the HRA. City Works slipped some vehicle purchases into 2008-09 and the Councils contribution to the Rose Hill project was not needed and has since been allocated to Lambourn Road bungalows.

### **Next Steps**

25. In summary, the General Fund will have balances £1.9m above the minimum level as at 31<sup>st</sup> March 2009 on the basis that the 2008-09 financial outturn is on or below budget. This is one-off money and each year new savings of £1.2 million have to be found to keep the budget in balance.
26. City Executive Board and Council are recommended to allocate this available funding as £1m for Councillors' local visible activities and other corporate priorities the remainder (£0.9m) for invest to save and transformation projects.

### **Community priorities**

27. The administration have indicated that it would like to explore the potential to keep Peers Sports Centre open, in partnership with the new Oxford Academy and to develop community access to facilities there. Officers believe that a commitment of £375k along with further internal savings, synergies and partnership with the academy could be sufficient to achieve this until 2010.
28. This leaves £625k for other schemes. It is strongly recommended that this money is earmarked only for one-off schemes and not ongoing commitments that increase the budget gap in future years.

The list of schemes identified by the administration is listed at Appendix 6 (to follow). The allocation will be a recommendation to Council, which

will determine whether to allocate spending against this available finance.

### Invest to Save/Transformation projects

29. £0.9m for invest-to-save and transformation projects that will enable major initiatives to deliver future years' efficiency savings. It is proposed that this pump priming money is made available to fund projects aimed at transforming the City Council's service performance and value for money. Examples of transformational projects currently being developed are:

- Customer Relationship Management system to support front line staff in customer shops and call centres.
- Making our website more transactional
- Workforce Development
- Improved mobile technology
- Technology to promote flexible use of office accommodation reducing our need for offices
- Self service corporate HR system
- Order to pay automated procurement system
- Shared IT services
- Improved geographical information systems
- Improved electronic document storage
- Business Process redesign
- Improved knowledge and contents management

The Council is establishing an inhouse transformation team working to the newly appointed Transformation Manager. This manager alongside the Corporate Procurement and Shared Services Manager will report directly to the Chief Executive Board Member for transformation in implementing these projects.

**Name and contact details of author**<sup>[x10]</sup>: Penny Gardner/Sarah Fogden,  
Heads of Finance  
Telephone 01865 (25)2708  
E-mail: [pgardner@oxford.gov.uk](mailto:pgardner@oxford.gov.uk) or [sfogden@oxford.gov.uk](mailto:sfogden@oxford.gov.uk)

### **Background papers**<sup>[x11]</sup>:

Third quarter revenue and capital budget monitoring 17 March 2008

