

DRAFT

Report of: Heads of Finance

To: City Executive Board

Date: 2nd December 2009

Item No:

Title of Report : **Second Quarter Revenue and Capital Budget
Monitoring 2009-10**

Summary and Recommendations

Purpose of report: To provide Members with information on the Council's overall financial position as at the 30th September 2009 and the latest forecast full year financial position for 2009-10.

Key decision: No

Board Member: Councillor Ed Turner

Scrutiny Responsibility: Value & Performance Scrutiny Committee

Ward(s) affected: All

Report Approved by: Jeremy Thomas,. Legal & Democratic Services

Policy Framework: Transform Oxford City Council by improving Value for Money and Service performance.

Recommendation(s): That City Executive Board notes the overall financial position.

Introduction

1. This report reviews the position at the second quarter for the General Fund, Housing Revenue Account (HRA) and Capital Programme.
2. Key financial information is attached in the following appendices:

Appendix

Version number: 1.0

Date

1. General Fund revenue monitoring summary 2009-10 at 30 September 2009
2. HRA revenue monitoring summary 2009-10 at 30 September 2009
3. General Fund and HRA Savings Summary at 30 September 2009
4. Capital programme summary 2009-10 at 30 September 2009
(General Fund to follow)
5. Projected balances – General Fund and HRA (to follow)

General Fund Revenue Monitoring

3. 2009-10 is proving to be a turbulent year in terms of in year budget variances. At the end of the first quarter it was apparent that major cost pressures from concessionary fares and lower investment income would only partially be offset from a below budget pay award and single status. At the end of the second quarter a comprehensive review of the expected year end position against budget has been undertaken including commissioning line by line reviews of service budgets. The table below sets out the forecast budget pressures and the measures in place to offset them:

4.

Causes of overspend	£k	Offset by	£k
Concessionary fares	900	Pay award settled at 1%	500
Reduced investment income	500	Saving through half year implementation of single status	400
City Development income lower due to recession impact	170	Recession fund in budget	300
Commercial property income reduced due to recession impact	350	Further recession fund to be released from balance sheet	300
Local Cost of Benefits increases as caseload rises and overpayments more difficult to collect	130	LABGI	104
Other spend pressures in services	266	Housing & Planning Delivery Grant	100
Net cost of severance	190	Hold on further allocations from Transformation Fund	200
		Repairs & maintenance – balance of reserve released	200
		Repairs & maintenance – target to defer spend	200
		Line by line reviews – target saving	202
Total	£2,506k	Total	£2,506k

5. Details of the key budget pressures and offsetting measures are described in the following paragraphs.
6. At the end of the first quarter, the increased cost of Concessionary Fares over budget was estimated at £1200k, following the DfT determination in favour of the bus operators for 2008-09, increasing the reimbursement rate, and taking account of usage and fare increases. The scheme for 2009-10 has now been agreed and a reduced reimbursement rate agreed with the bus operators, reducing the forecast overspend to £900k.
7. A central sum of £300k was included in the budget against reduced income from the impact of the recession, with a further £300k reserved on the balance sheet. Risk areas are closely monitored each month and although most areas are holding up, commercial property income is now forecast to be £350k below budget due to tenant defaults and lower settlements on rent renewal. City development income is forecast to be £170k below budget. The predicted shortfall of £130k against budget on Local Cost of Benefits is also a consequence of the economic downturn as discretionary housing payments have increased with the rise in caseload, and the collection rate on overpayments has reduced as an increasing proportion of recovery is via long term arrangements.
8. In the light of the emerging pressures the £300k reserve has been released from the balance sheet in this forecast.
9. The net cost of severance for the final stages of management restructures has been recognised and is estimated at £190k.
10. Other cost pressures in services are forecast at £266k over budget mainly due to support for projects.
11. Housing and Planning Delivery Grant for 2009-10 has not yet been announced and the revenue element ,when confirmed, estimated at £100k, would offset some of the pressures experienced by City Development
12. Commitment of further Transformation funding will be deferred, holding back £200k.
13. Release of the balance of £200k from the repairs and maintenance reserve set up at the end of 2008-09, together with deferring uncommitted repairs and maintenance spending, targeted at a further £200k.
14. Line by line reviews of each service budget are under way to identify any savings that will offset the current position, target £202k

Budget savings

15. .Progress on savings is has been extensively reviewed. £258k of savings are now Red; Service Heads have been asked to identify alternative

savings to offset shortfalls. The impact for each year has been considered so that a consistent view is taken into the 2010-11 budget. £2.1 million of savings are now shown as completed.

Housing Revenue Account Revenue Monitoring

16. The deficit at the end of the second quarter is £209k, better than budget by £195k. No overall changes to budget are forecast at this stage, leaving the predicted outturn at a £1,041k.
17. Progress on savings is strong. Of the £1,121k savings, £1,081k are complete and the Amber category saving will be delivered by the end of the year.

Projected Balances

18. (*Appendix 5 to follow*) .Balancing the current year's General Fund spend within budget will ensure that balances are maintained above the minimum £3 million throughout the three year projection.
19. Projected balances for the HRA are maintained at £2m.

General Fund Capital Programme

20. The General Fund capital plan shows year to date expenditure of (*section to be updated*)

HRA Capital Programme

21. The HRA capital plan shows year to date expenditure of £3.6 million. This represents 34% of the budget, slightly behind the planned spend for the quarter.

Risk Assessment

22. A Risk Register is attached at Appendix 6.

Recommendation

23. It is recommended that City Executive Board notes the overall financial position.

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Background papers: None