Report of: Heads of Finance

To: City Executive Board

Date: 9th June 2010
Item No:

Title of Report : Provisional Outturn Report 2009-10

Summary and Recommendations

Purpose of report: To report the Council's financial position at the end of 2009-10.

Key decision: No

Board Member: Councillor Ed Turner

Scrutiny Responsibility: Value & Performance Scrutiny Committee

Ward(s) affected: All

Report Approved by: Jacqueline Yates, Corporate Director Finance & Efficiency

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

Recommendation(s): That City Executive Board:.
a) note the year end financial position;
b) delegates authority to the Chief Executive and Corporate Director, Finance and Efficiency to release funds from the corporate contingency reserve (General Fund and HRA) in consultation with the Leader of the Council.
c) approved the re-designation of the Single Status Reserve to the Employee Cost Reserve.

Summary

1. This report sets out the Council's provisional year end financial position. The figures are subject to audit by the Audit Commission.

2. Reporting against the approved budget, General Fund net spending was £484k below budget, the Housing Revenue Account (HRA) net deficit was £763k, £278k lower than budget. The General Fund Capital Programme shows year to date expenditure of £9.3 million against budget of £10.3 million. HRA capital expenditure was £9.0 million against the budget of £12.3 million.

3. The financial position is set out in detail in the following attached appendices:

Appendix	
1	General Fund revenue Outturn Position as at 31 March 2010
2	HRA revenue Outturn Position as at 31 March 2009
3	Capital Programme Outturn as at 31 March 2010 (General fund and HRA)
4	Projected balances - General Fund and HRA for 2009-10 and future years
5.	Risk Register

General Fund Revenue Monitoring

4. 2009-10 has been a challenging year in terms of balancing the Council's budget. During the year the Council faced £2.5 million of budget pressures in 2009-10, mainly due to the increased costs of the national concessionary fares scheme, reduced investment income and the impact of the recession on income in particular commercial property income and building control fees.

5. These pressures were partly offset by a below budget pay award, the half year implementation of single status, the use of budget provision for the impact of the recession and anticipated Housing and Planning Delivery Grant. Forecasts for the third quarter predicted an overspend of £0.5 million and services have worked to contain spend within budget.

6 Analysis has been carried out of each Services outturn position to identify one- off events and ongoing savings/ pressures as well as a the reasons for variances against budget. This will be used to inform the 2010-11 monitoring process and MTFS refresh

7 Table 1 below compares the outturn with the budget and with the third quarter forecast.

Table 1 Revenue Outturn as at 31st March 2010

General fund Revenue Budgets	Budget £'000	Forecast £'000	Actual £'000	Variance to budget £'000	Variance to f'cast £'000
Directorates					
Chief Executive	4,094	4,268	4,372	277	104
City Regeneration	8,228	8,571	8,350	122	(221)
City Services	8,819	8,779	8,551	(268)	(228)
Finance & Efficiency	5,313	5,638	5,719	406	181
Recession pressures budget	300	(300)	0	(300)	300
Subtotal Directorates	**26,754**	**26,856**	**26,992**	**237**	**136**
Local cost of benefits	(150)	(40)	(264)	(114)	(224)
Concessionary Fares	2,634	3,534	3,310	676	(226)
Investment Income	(793)	(293)	(426)	367	(133)
Severance costs	(268)	23	0	268	(23)
Pay inflation and single status budgets not used	995	46	0	(995)	(46)
LABGI	0	(104)	(104)	(104)	0
Housing & Planning Delivery grant	0	(316)	(630)	(630)	(314)
Other corporate accounts	540	540	351	(189)	(189)
Subtotal Corporate accounts	**2,958**	**3,391**	**2,237**	**(721)**	**(1,155)**
Total General Fund Revenue Budget	**29,712**	**30,245**	**29,228**	**(484)**	**(1,017)**

8. Since the third quarter report, Directorate budgets have been realigned to reflect the changes to the management structure announced in December 2009. The key movements from the third quarter position are as follows:

- **Chief Executive £104k over forecast** – this includes costs of the restructure in People & Equalities

- **City Regeneration £221k under forecast** – income was above forecast for Planning, Commercial Property and Culture.

- **City Services £228k under forecast** - in City Leisure project budgets, notably for playgrounds, were not fully spent, offset in City Works by car park income being £200k lower due to the effect of the bad weather in January and February, and increased Trade Waste bad debt provisions.

- **Finance & Efficiency £181k over forecast -** increased project costs in Finance and only a part year effect of some procurement savings realised in 2009-10.

- **Recession Pressures - £300k not drawn from reserves** in light of the improved income position in City Regeneration

- **Concessionary fares £226k under forecast** – concessionary travel in January and February was much lower than normal due to the severe weather

- **Investment income £133k over forecast** – as part of the process of capitalising the impairment of Icelandic deposits, the interest due in 2009-10 is shown as income for the year.

- **Housing & Planning Delivery Grant £314k over forecast** - The provisional outturn includes the full £630k of Housing and Planning Delivery Grant over which in 2009-10 the Council has full discretion in the allocation of the grant between revenue and capital.

- **Other Corporate Accounts £189k under forecast –** mainly due to slowing down revenue funded capital maintenance

9. Looking ahead, the Council faces considerable financial uncertainty with the new government needing to tackle the public sector deficit and expenditure cuts of 25 to 30% widely predicted. Although the Council has built in a 20% reduction to Formula Grant (FG) over the four years starting in 2011-12 to its Medium Term Financial Strategy (MTFS), it is considered prudent in the light of the increased risk of higher cuts in the short to medium term that the net underspend is reserved in a corporate contingency fund.

10. It is recommended that only when there is greater clarity on the national economic situation and the implications for the MTFS that bids are considered against the corporate contingency fund. The proposed criteria for evaluating bids as and when it is deemed appropriate are as follows:
    - Mitigation against future liabilities and the reduction of risk
    - Spend to save
    - Finishing incomplete projects which can demonstrate value for money in terms of improved outcomes

11 It is recommended that CEB delegates authority to the Chief Executive and the Corporate Director, Finance and Efficiency to release funds from the corporate contingency reserve in consultation with the Leader of the Council.

Reserves

12 It was agreed that £200k of Transformation funding should be held back as a contingency measure. This remains in reserves and is available for allocation to future projects.

13 The £300k recession reserve has not been drawn down as anticipated in the third quarter report as on reviewing income achieved in key risk areas such as planning, building control and commercial property, the budget provision already made of £300k was sufficient to offset the main areas of shortfall.

14. The Single Status reserve stands at £893k across the General Fund and the HRA. As the Single Status appeals process has now concluded it is proposed to re-designate this reserve to create an Employee Cost reserve in advance of the "Council 2012" corporate change programme. It is recommended that CEB approve the re-designation of this reserve.

General Fund Capital Outturn

15. Table 2 below sets out the variances by service area to budget.

Table 2 Capital Outturn as at 31st March 2010

General Fund Capital Budget	Budget £'000	Actual £'000	Variance £'000
Service			
City Development	1,497	1,460	(37)
Environmental Development	718	643	(75)
Community Housing & Development	817	594	(223)
Corporate Assets	1,706	1,449	(257)
City Leisure	1,164	757	(407)
City Works	1,159	1,114	(45)
Finance/ Other	1,964	1,939	(25)
Business Transformation	1,299	1,299	0
Total Services	**10,324**	**9,255**	**(1069)**

16. The key variances are as follows:

- **Community Housing & Development £223k underspend** – this includes £138k of area committee capital budgets carried forward from 2008-09 and not allocated to projects
- **City Leisure £407k underspend** – £248k slippage into 2010-11 on the playground refurbishment programme, also slippage into 2010-11 of the enabling works for the Leisure competition pool.

- **Corporate Assets £257k underspend –** This relates to slippage into 2010-11 on the Leisure facilities substantive works undertaken as part of the Fusion contract

17 A comprehensive review of all schemes in the Capital Programme is being undertaken. Any projects included in the 2009-10 budget but not progressed will be reviewed as part of the capital prioritisation exercise. This will be considered by the Corporate Assets Board in June in advance of a report to CEB.

Housing Revenue Account

18. Table 3 below summarises the Income and Expenditure Account outturn:

Table 3 Housing Revenue Account Outturn as at 31st March 2010

£'000	Budget	Actual	Variance
Income and expenditure account			
Income from Rent and Service Charges	(33,688)	(34,077)	(389)
Expenditure of Repairs and Management	18,214	17,943	(271)
Subsidy, finance and appropriations	16,515	16,897	382
Deficit/ (Surplus)	**1,041**	**763**	**(278)**

19. The key variances are as follows:

- **Income £389k over budget**- reduction of arrears coupled with an improvement in service charge recovery has resulted in £388k additional income. Current rent arrears are £689k compared to £858k last year.

- **Repairs & management £271k under budget** - spend on cyclical repairs has been reviewed this year to consider what elements can correctly be capitalised. In-house work, where our cost base includes general overheads has been considered together with capitalisation of work carried out in void properties. This review has had no significant impact on what is capitalised for voids but it has been agreed that in-house capital spend should not include general overheads. This has had an impact on contracting which has been offset by reducing management expenditure such that a £271k under spend is reported to a total cost of £17.9m.

- **Finance & Subsidy £382k over budget** - the draft subsidy determination has again proved problematic, this time through low interest rates. The subsidy computation allows interest charges of assumed debt to be offset against rental income. Interest rates are low this year at 4% and therefore the charge is much lower. This is partly mitigated by a reduction in actual interest charged. The total effect is an additional subsidy payment of £551k resulting in the overall negative variance against budget of £382k. There is an offset against subsidy in capital financing through an improvement in Major Repairs Allowance of £140k to £5.34m.

<u>Capital</u>

20. The Decent Homes programme is slightly ahead of target at 95.48% decent, with 97 more properties achieving the decent standard than targeted. Average costs have been reduced in Kitchen and Bathrooms spend from £7.5k per property last year to £6.5k this year. Spend on Tower and Sheltered Blocks has been kept to a minimum pending review while activity is maintained through commencement of two new build developments. Disabled adaptation work continues to be demanded at increasing levels, this together with reducing a backlog has meant a spend of £992k, £412k more than budgeted. Waiting times are now less than 13 weeks. There will remain future capital commitment to new build, Tower and Sheltered Blocks and these will total £2.35m

<u>Carryforwards and use of balances</u>

21 An underspend of £150k was forecast at the third quarter and was utilised in balancing the 2010-11 budget. In line with the General Fund, it is proposed that the residual underspend is placed in a corporate contingency fund and bids against the fund considered as set out in paragraphs 10 to11 above.

Projected Balances

22. Projected balances are unchanged from when the 2010-11 budget was set on the basis that further 2009-10 net underspends are moved to corporate contingency reserves.

Risk Assessment

23 Risk Register is attached at Appendix 5.

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Background papers: **None**

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