

To: City Executive Board

Date: 8 December 2010

Item No: 5

Report of: Interim Head of Finance

Title of Report: Budget Monitoring Report as at September 30th 2010

Summary and Recommendations

Purpose of report: This report provides an estimate of the forecast outturn for the council's revenue, capital and HRA budgets for the financial year 2010/2011 as at 30th September 2010. In addition it provides information on key financial indicators in order to provide an assessment of the overall financial health of the organisation.

Key decision? No

Executive lead member: Ed Turner

Policy Framework: Budget

- Recommendation(s):**
- 1)** It is recommended that the CEB notes the forecast outturn position as at 30th September and makes any comments as appropriate
 - 2)** That Directors are instructed contain budgets within existing resource
 - 3)** That more detailed information is provided in future reports on reasons for variances on the capital program

1 EXECUTIVE SUMMARY

- The forecast outturn for the General Fund as at the 30th September 2010 is £30.0m million which is £0.8m over budget. Included within the budget is a contingency of £558k which has not yet been applied.
- The Housing Revenue Account forecast outturn as at 30 September 2010 shows no variance to the originally budgeted surplus of £500k
- The Council's Capital Programme shows forecast slippage and under spends of £4.132m as at 30th September 2010
- Investment interest performance is currently low at 0.48% but this is compatible with the council's current investment strategy, which seeks to minimise any risk to deposits. Creditor payment targets have been maintained at around 96-97%.
- Collection of Business Rates and Council Tax compares to the position this time last year.

2 GENERAL FUND REVENUE EXPENDITURE

Table 1 shows a summary of the General Fund position by Directorate

Table 1 – General Fund Forecast Outturn as at 30th September 2010

<i>Directorates</i>	<i>Budget</i>	<i>Variances</i> <i>as at</i> <i>31/8/10</i>	<i>Variance</i> <i>@ 30/9/10</i>	<i>Forecast</i> <i>Outturn</i>	<i>%</i> <i>Change</i> <i>(Outturn</i> <i>vs</i> <i>Budget)</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	
<i>Chief Executives</i>	4,004	139	14	4,157	3.8
<i>City Regeneration</i>	8,956	(307)	263	8,912	-0.5
<i>City Services</i>	6,844	534	43	7,421	8.4
<i>Finance and</i>	3,848	0	45	3,893	1.2

<i>Efficiency</i>					
Net Service Expenditure	23,652	366	365	24,383	3.1
<i>Below the line</i>	4,236	(251)	332	4,317	1.9
Net General Fund Budget	27,888	115	697	28,700	2.9
<i>Transfer To/ (From) Working Balance</i>	1,256	0	0	1,256	0
Net Budget Requirement	29,144	115	697	29,956	2.8
<i>Funding</i>	(29,144)	100	(101)	29,145	0
(Under)/Overspend	0	215	596	811	

The forecast outturn for 2010/11 as at the end of September is predicted to be £29.9m against the budget of £29.1m, a projected net overspend of £811k, which is a net variance of 2.8%. Last month this variance was £215k and the main reasons for this additional variance of £596k are as follows:

3 Chief Executives £14k Adverse

Minor supplier and services variances. £24k adverse in People and Equalities offset by a £10k favourable variance in Law and Governance

4 City Regeneration £263k Adverse

Oxford City Homes- £297k – An adverse variance of £297k reflecting the recently negotiated single status arrangements for Streetscene operatives. This is being further investigated. This is offset by a favourable £34k within Community Housing

5 City Services £43k Adverse – This is a consequence of:

- Car Parking Income £170k favourable, an adverse variance on Business Rate revaluations of £80k netted against improved Car park income outturn vs. last month of £250k. Full year Car Park variance against the approved budget is forecast to be £530k adverse

- Trade waste income £300k adverse at the end of the year. However, work is underway to improve performance and this may result in revisions to this forecast in coming months
- Professional fees £142k favourable driven by a capital charge in connection with the competition pool being correctly reclassified from the General fund to the capital programme
- £55k adverse as a result of a reduction in expected Court cost income within Customer Services

6 Finance and Efficiency £45k Adverse

This represents the pressure of managing maternity cover for 5 posts within the area

7 Below the Line - £332k Adverse

- This represents: Pension Strain and redundancy costs - £186k unbudgeted pension strain costs payable to the County Council arising from early retirements and redundancies
- Interest Payable represents a favourable variance of £260k – Driven by lower interest payments on HRA and section 106 balances
- Item 8 interest receivable from the HRA – an adverse variance of £376k in line with the reduced interest rates receivable from investments as referred to above

8 Funding

Collection fund surplus 2009/10 – the City Council's Collection Fund surplus from 2009 – 2010 is £111k.

9 Achievement of Savings and efficiencies

The approved budget for 2010/11 included an amount of £2.71m of agreed savings and efficiencies. Achievement of these savings is monitored through a

system of 'traffic light reporting' highlighting whether the savings have been achieved, are on track or unachievable. Details are summarised below:

Table 2 – Savings status

Directorate	Achieved	Partially on track	On Track	Unachievable	Total
	£	£	£	£	£
Chief Executives	111,000	35,000	40,000	15,000	201,000
City Regeneration	406,140	36,000	163,737	0	605,877
City Services	561,000	191,000	709,500	15,000	1,476,500
Finance and Efficiency	196,000	130,000	70,000	30,000	426,000
Total	1,274,140	392,000	983,237	60,000	2,709,377

Where the saving is unachievable these have been factored into the forecast outturns identified above, the majority of which have previously been reported.

10 Chief Executive £15k

Relates to green travel initiative, this is unachievable due to HMRC suspending salary sacrifice for this activity.

11 City Services £15k

Relates to allotment closures, not possible to achieve this as allotment leases run until 2015.

12 Finance and Efficiency £30k

Relates to a shortfall in the income generated from the Print and Copier Unit.

The Forecast outturn figures have been prepared on the basis that all savings and efficiencies included within the 10/11 budget will be achieved unless we have specifically agreed that these cannot be achieved. There is an amount of

£0.4m that requires further work to ensure that the target is achieved this financial year

Directors will work with Heads of Service to manage delivery within agreed budgets

13 Housing Revenue Account

Table 3 below summarises the forecast outturn position for the Housing Revenue Account as at 30th September 2010. It shows the HRA is on target to achieve its budgeted deficit of £0.5m although there are a number of significant forecast variations in income and expenditure which are detailed below:

Table 3: HRA forecast outturn as at 30th September 2010

	<i>Budget</i>	<i>Variances as at 31/8/10</i>	<i>Variance at 30/9/10</i>	<i>Forecast Outturn</i>	<i>% Change (Outturn vs Budget)</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	
<i>Income</i>	<i>(32,439)</i>	<i>234</i>	<i>19</i>	<i>(32,224)</i>	<i>-0.6</i>
<i>Expenditure</i>	<i>42,002</i>	<i>(355)</i>	<i>(20)</i>	<i>41,667</i>	<i>-0.8</i>
<i>Appropriations</i>	<i>(10,063)</i>	<i>121</i>	<i>1</i>	<i>(9,943)</i>	<i>-1.2</i>
<i>Net Surplus</i>	<i>(500)</i>	<i>0</i>	<i>0</i>	<i>(500)</i>	

The forecast reflects increases in subsidy and reductions in interest payable and receivable which have previously been reported.

14 Capital Programme

Table 4 below sets out the latest forecast outturn position for the Capital Programme. It shows a forecast variance of £4.1m million of which the main changes are shown below

Table 4 – Capital Programme forecast outturn as at 30th September 2010

	Actual to Date £000	Latest Budget £000	Forecast Outturn £000	Variance £000
Directorate				
City Development	43	1,353	1,353	0
Environmental Development	155	759	742	(17)
Community Housing & Development	444	3,342	4,041	699
Corporate Assets	1,357	6,446	5,097	(1,349)
City Leisure	694	2,745	2,678	(67)
City Works	140	2,657	1,844	(813)
Finance/Other	0	18	18	0
Business Transformation	0	50	50	0
Subtotal General Fund	2,833	17,370	15,823	(1,547)
HRA Decent Homes	3,750	9,479	7,879	(1,600)
New Build	4,304	10,385	8,900	(1,485)
Aids and adaptations	550	580	1,080	500
Subtotal HRA Projects	8,604	20,444	17,589	(2,585)
Total Capital Programme	11,437	37,814	33,682	(4,132)

Note that the capital programme has been adjusted to reflect the changes approved at Council on 18th October 2010.

Major variations include:

15 Community Housing and Development

Current variance is £699k Adverse, this represent an acceleration of the Old Fire Station project in 2010-11.

16 Corporate Assets

There is £400k slippage on works to community centres and also investment properties of £223k and parks and cemeteries of £151k. A number of other schemes have been slipped or reduced making up the balance of £1.349m

17 HRA Decent Homes - £1.6m Favourable

- The work carried out replacing Kitchens and Bathrooms is under spent by £0.5m at the half year due to reduced unit costs for installations. Full year impact is expected to be £0.7m favourable.

- Major Voids is overspent by £0.1m. Much of the work done in Major Voids involves replacing kitchens, bathrooms and heating systems in empty properties prior to re-letting and there is some element of cross over with the Kitchens and Bathrooms budget above.

- Tower Blocks are forecast to be £0.6m Favourable at year end as a result of delayed decisions for long term ownership of the blocks. Should the decision be to retain the blocks then work will be required to replace windows and wall ties.

- Heating is forecast to be £0.5m over spent at year end as a consequence of increased labour time. The budget assumes c330 installations of heating systems in the year. Year to date approximately 50 full installations have been completed at an average cost of £5k each while 140 partial systems have been installed with an average cost of £3.5k. Management believe there is an opportunity to reduce costs in this area

- Sheltered blocks is expected to be £0.5m under spent at year end as a result of delay in deciding future of the blocks: Decision needed to retain ownership/ demolish or refurbish.

- Shops are forecast to be £0.2m under spent at year end, driven by any work being absorbed in work completed on flats and maisonettes above the shops. Work can only be done when shops are void and year to date very few

properties have become vacant. A decision is pending for the replacement of staircases at each end of the block at Blackbird Leys.

- The forecast assumes costs at the year end will be in the region of £7.9m compared to £9.5m budgeted.

18 HRA New Build

There is a favourable variance of £1.5m driven by an under spend on the Lambourn Road project and the refurbishment of Cardinal House. Both projects are forecasting an under spend against their relevant contingency budgets.

19 HRA Aids and Adaptations

Aids and adaptations are forecast at £1.08m by year end an overspend of £0.5m. It should be noted that all adaptations are installed on the recommendation of an Occupational Therapist. Adaptations include the installation of level access showers, stair lifts and extensions to properties. To date OCH has installed approximately 91 level access showers with an average cost of £3.5k, 13 stair lifts averaging £3.4k each and worked on 7 extensions with a total cost of £142k. Work on a further 5 extensions is anticipated between now and the year end with an average cost of £25-30k. The installation of level access showers is difficult to predict, it is assumed that the same volume of works will be completed and about 2 stair lifts a month.

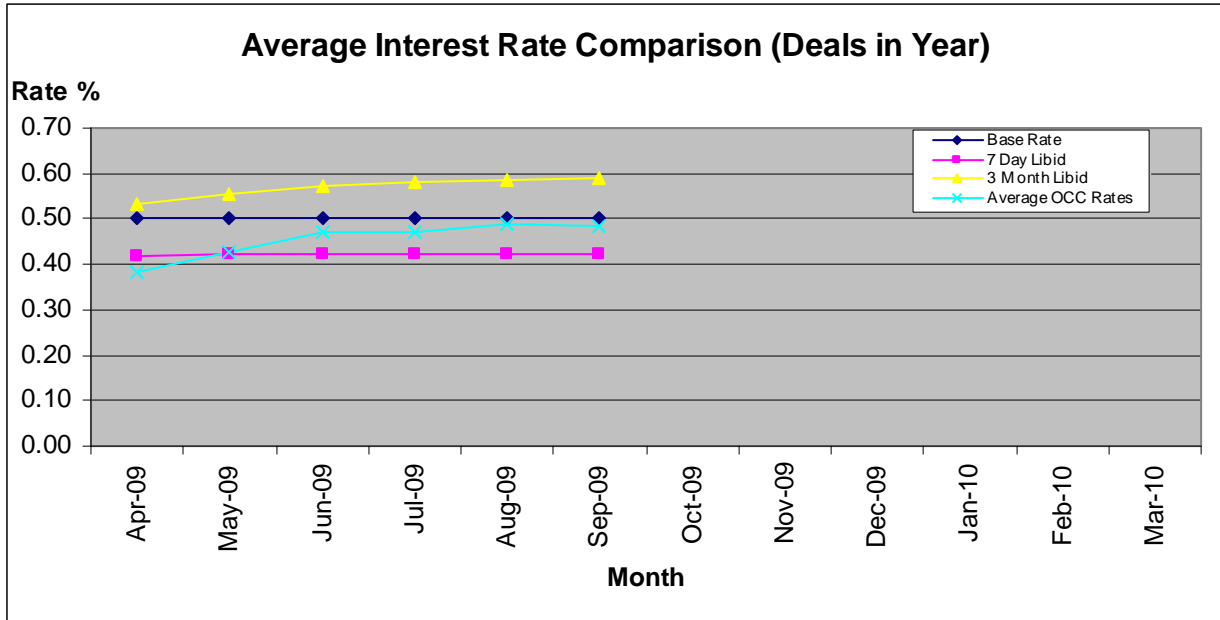
20 Performance Information

There are a number of key performance indicators which when combined with budgetary information give an overall picture of financial health of the organisation. These indicators are as follows:

21 Investment Performance

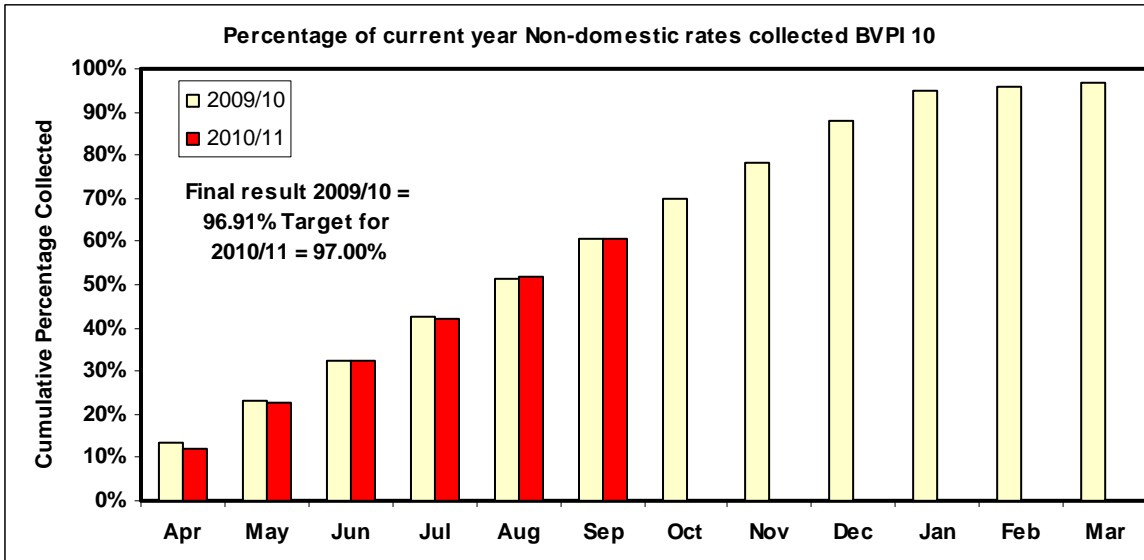
The year to date average rate of interest is currently 0.48%, with Base Rate continuing to sit at 0.50%. The Council monitors its performance against the 7 day Libid rate, which has remained at 0.42% throughout the first half of the year. This is currently a suitable indicator as many of our investments are very short term at present. We will be looking to increase the terms of our

investments over the coming months to enable us to increase our average rate achieved, and then we will look to monitor this performance against the 3 month Libid rate. The Base rate is expected to remain static at 0.50% for further 12 months, at which point it is expected to rise steadily over the future quarters.



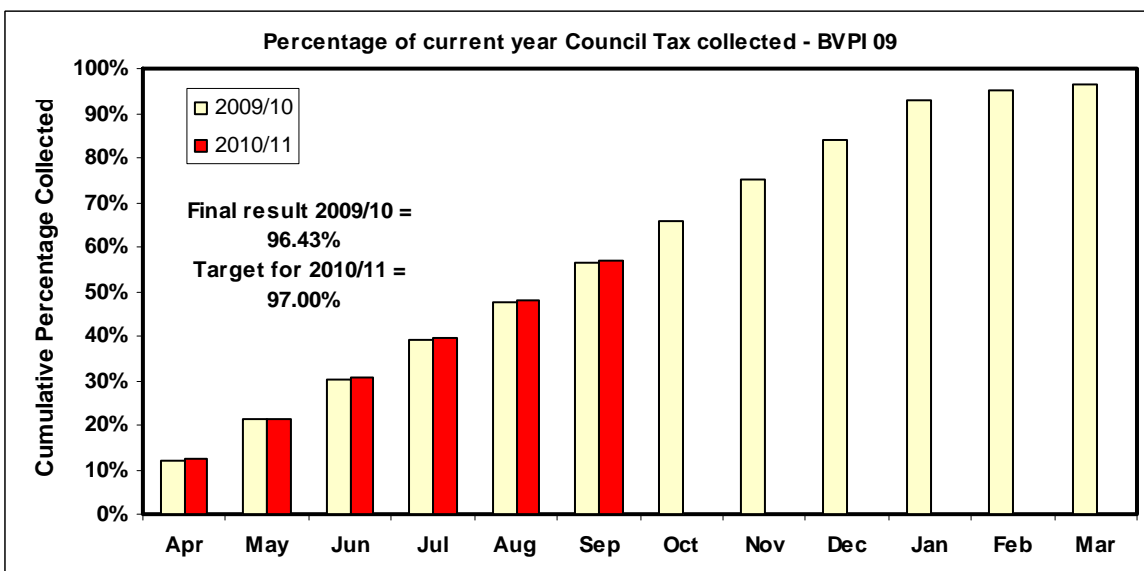
22 Business Rates

At the end of September the collection rate of 2010/11 had reached 60.44% which is slightly down on the 2009/10 equivalent figure of 60.76%. The collectable debit is currently £79.4 million. In roads have been made into the arrears carried forward at 1/4/2010 which have reduced from £4.7m to £3.3m.



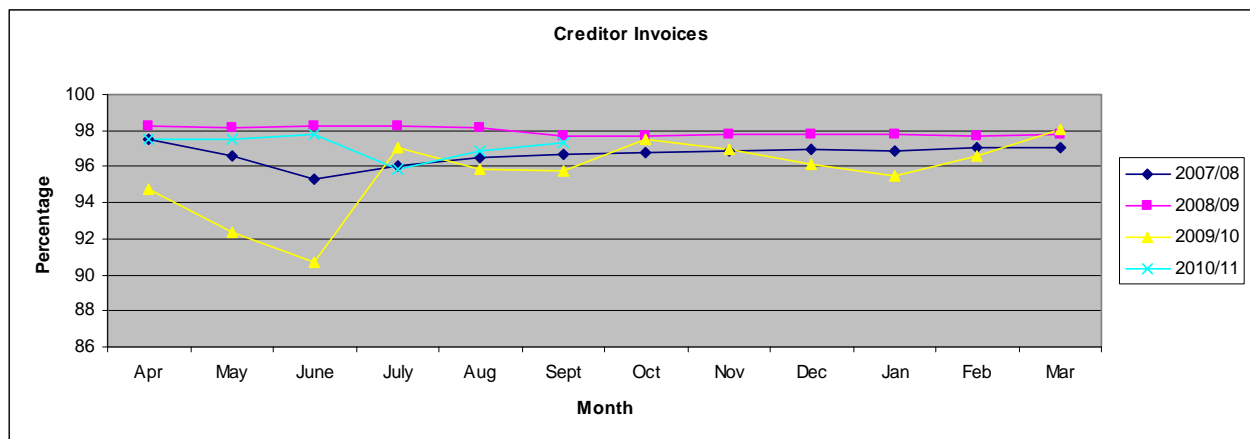
23 Council tax arrears collection

By the end of September 2010, 56.96% of the debit had been collected compared to 56.46% this time last year. Arrears carried forward at the beginning of April 2010 totalled £6.4m and had reduced to £5.2 m by the 30th of September 2010.



24 Creditor Payment Times

The council is performing well on the payment of invoices within 30 days with 97.31% of invoices received paid within this period, which is an increase on last month



25 Balances

Year end balance is forecast to be £1.571m above the minimum level of £3m

26 Implications

Legal Issues (Monitoring Officer) - There are no legal implications in connection with the recommendations contained within this report

Potential Risks - Budget projections can be volatile, particularly in the early part of the year. The revenue budget is currently forecast to be overspent by £0.8m - 2.8%, which can be largely mitigated by a contingency of c£0.5m reducing the percentage overspend to 0.87%. There is a risk that some of the savings included within the forecast variance will not be achieved thereby creating an additional adverse variance possibly as high as £0.4m. See table 2 – savings status above

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List of background papers:

Version number: 1