

**To:** Value and Performance Scrutiny Committee  
City Executive Board

**Date:** 25<sup>th</sup> June 2012  
4<sup>th</sup> July 2012

**Report of:** Head of Finance

**Title of Report:** FINANCIAL OUT-TURN FOR THE YEAR ENDING 31<sup>ST</sup> MARCH 2012

## Summary and Recommendations

**Purpose of report:** To present the financial outturn for the year ending 31<sup>st</sup> March 2012.

**Key decision?** No

**Executive lead member:** Councillor Ed Turner

**Policy Framework:** Budget

**Recommendation(s):** **Value and Performance Scutiny Comiitee should :**

Consider the report and make any recommendations to CEB

**The City Executive Board is recommended to:**

- 1) Note the financial outturn for 2011-12 of £25.3 million which is £0.5 million favourable to the approved budget for 2011/12.
- 2) Approve the transfer of the £0.5m surplus to Earmarked Reserve for funding Capital as set out in paragraph 7
- 3) Approve transfers to the General Fund and HRA Working Balances of £0.8 million and £0.6 million respectively. These being in line with the budget
- 4) Approve the carry forward requests as detailed in Appendix B
- 5) To note the payment of the partnership payment in the sum of £416 per fte staff subject to the terms of the agreement as referred to in paragraph 37

- Appendix A - Earmarked Reserves
- Appendix B - Carry forward requests 2011-12
- Appendix C - Housing Revenue Account
- Appendix D - Capital Programme 2011-12

## **EXECUTIVE SUMMARY**

The report shows that:

1. The provisional outturn for the General Fund as at the 31st March 2012 is £25.294 million. This is £0.5m favourable to the 2011-12 approved budget after transfers to and from reserves and a budgeted transfer to the working balance of £0.816 million.
2. The outturn position is £0.925 million different to the February position the details of which are explained in paragraph 34
3. The 2011-12 General Fund savings target was £4.2 million. This has been achieved.
4. As at 31st March 2012 the Housing Revenue Account forecast outturn shows a £0.620 million surplus. This is £0.120 million favourable to the 2011-12 budgeted position.
5. The Council's actual capital spend was £21 million in year. This is compared to an approved budget of £35 million. The £14 million variation is due largely to slippage on the Competition Swimming Pool of £7.8 million and slippage and under spends within the HRA.
6. The Council's accounts are still subject to audit. It is therefore possible that some of these figures may change as a result of that process.

## **GENERAL FUND PROVISIONAL OUTURN**

7. The provisional outturn for 2011/12 is £25.294 million; this is £0.5m favourable compared to the approved budget after a transfer of £0.816m to the General Fund Working Balance, in accordance with the budget. Below is summary of the General Fund position by Directorate compared to the 2011-12 approved budget and the position as at 28<sup>th</sup> February 2012.

**Table 1 – General Fund Forecast Outturn as at 31st March 2012**

<b>March 2012</b>	Approved Budget 11/12	Actual YTD	Outturn Variance to Latest Budget	Outturn Variance to Latest Budget 28-02-12	Movement from last month
Service Area	£000's	£000's	£000's	£000's	£000's
<b>Directorates:</b>					
Chief Executive	5,065	5,070	5	183	(178)
City Regeneration	4,897	2,376	(2,521)	(348)	(2,173)
City Services	7,369	5,149	(2,220)	(1,074)	(1,146)
Finance & Efficiency	6,461	6,063	(398)	(3)	(395)
<b>Total Excluding SLA's And Capital Charges</b>	<b>23,792</b>	<b>18,658</b>	<b>(5,134)</b>	<b>(1,242)</b>	<b>(3,892)</b>
<b>SLA's and Capital Charges</b>	<b>(1,640)</b>	<b>(1,642)</b>	<b>(2)</b>	<b>-</b>	<b>(2)</b>
<b>Total of Corporate and other associated Budgets</b>	<b>2,810</b>	<b>2,404</b>	<b>(406)</b>	<b>(564)</b>	<b>158</b>
Transfer to Balances	816	816	-	-	-
Transfers to and (from) reserves	-	5,058	5,058	397	4,661
<b>Net Budget Requirement</b>	<b>25,778</b>	<b>25,294</b>	<b>(484)</b>	<b>(1,409)</b>	<b>925</b>
<b>Funding</b>					
External Funding	13,399	13,399	-	-	-
Council Tax	12,355	12,355	-	-	-
Collection Fund surplus	24	24	-	-	-
<b>Total Funding Available</b>	<b>25,778</b>	<b>25,778</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(Surplus) / Deficit for Year</b>	<b>0</b>	<b>(484)</b>	<b>(484)</b>	<b>(1,409)</b>	<b>925</b>
<b>Working Balance</b>					
1st April 2012		4,428			
Transfers in		816			
31st March 2012		5,244			

**7 Reason for variances**

There were a number of notable variances by Directorate as follows:

**8 Chief Executive Directorate - £5k adverse variance against the latest budget, being £ (178k) favourable compared with February's monitoring**

**9 Policy Culture and Communication £ (128k) favourable**

This is a net position made up of a shortfall in income from the Town Hall of £117k offset by an under spend on the Town Hall refurbishment programme £(145k) which is not yet complete, as well as favourable variances in other areas, including £ (35k) on the events budget and a net favourable variance of £ (7k) on Arts and Dance development. Caretaking budgets resulted in a favourable year end variance of £ (20k) and a favourable variance of £ (38k) on Local Strategic Partnership.

**10 The under spend is subject to a carry forward request of £145k in respect of the refurbishment of the Town Hall galleries which has not yet been completed**

- 11 People and Equalities £ 130k adverse**  
This key variations include: over spends on the payroll system £30k, £20k on the cost of trade union support Occupational Health £36k and an unachieved saving on corporate mileage of £44k
- 12 Law and Governance £36k favourable**  
The variation is in respect of the unused elections reserve which has subsequently been transferred to earmarked reserves.
- 13 City Regeneration Directorate - £ (2,520k) favourable variance against the latest budget, being £ (2,173k) favourable compared to last month**
- 14 Community Housing and Development £ (1,560k) favourable compared to £(200k) favourable**  
Within Communities and Neighbourhoods there have been significant salary savings due to delays in recruitment to budgeted posts £ (140k)..
- 15 Within Communities Housing and Strategy, slippage in producing the Tenants' Handbook, which is subject to a carry forward request £ (45k), salary savings again due to periods of vacant posts £ (59k) and under spends on supplies and services of £ (23k) have caused the underspend in this area.
- 16 Community Safety Strategy and Operations underspent by £ (59k) due to delays in appointment to vacant posts.
- 17 Housing Needs underspent by £ (31k) principally caused by salary savings that have been partially offset by increased expenditure associated with Homeless Prevention activities.
- 18 £1.2 million of unused grants, mainly associated with Housing and Communities activities e.g. Homelessness additional grant, Communities external grant provision, Connecting Communities grant etc have been transferred to earmarked reserves pending spend in future years. The majority of these grant monies have already been committed in 2012/13.
- 19 Corporate Assets £ (1,000k) favourable**  
This reflects favourable rent reviews on commercial Property of around £(400k), a release from the St Aldates rent review provision of £(400k) which is no longer required, plus underspends on Council office repairs and maintenance, utilities and rates in the order of £(200k)
- 20 City Services Directorate - £(2,019k) favourable variance to the latest budget position being a £1,146k favourable movement from last month.**
- 21 Environmental Development £ (766k) favourable**  
This largely relates to £(440k) of HMO licensing income which will be transferred to reserves to be spent in 2012/13. In addition there are £(277k) of government grants in respect of air quality and contaminated land which will follow the same accounting treatment, plus £(15k) surplus taxi licence income which sits in a ring fenced account and will be transferred to an earmarked reserve.
- 22 Customer Services £ (138k) favourable**  
The key variations include an overachievement of income in relation to recovery of court costs of £ (104k) together with a net underspend on supplies and services

budgets within Revenues of £ (40k), off set by an overspend on staffing costs of £24k.

**23 City Leisure £ (527k) favourable**

There have been minor underspends in supplies and services such as salaries, play area maintenance and additional income from tree works £(62)k. The authority received Grants in year totalling approximately £(465k) in respect of sports activities which have been subsequently transferred to earmarked to reserves for spend in future years.

**24 Direct Services £ (826k) favourable**

Off Street Parking was £(138k) favourable due largely to additional income from St Clements car park.

25 Engineering Services was £(377k) favourable due to additional income from work received from the County Council, added to this there is an overbudgeted amount for salaries and wages which has added to the improved situation.

26 Street scene was £(384k) favourable due to additional income from tree work and underspends on salaries.

**27 Finance and Efficiency Directorate – currently showing a £(398k) favourable variance, which is £(395k) favourable than reported last month.**

**28 Business Improvement £87k adverse**

The most significant variances were in the procurement area of the service with a shortfall against the procurement savings target of £40k, there was also an overspend on supplies a services of £25k offset by an underspend of £(26k) on employees. A prior year procurement saving of £54k was not achieved adding to the pressure.

**29 ICT £ (148k) favourable**

There was slippage on ICT related projects relating to Servitor and MS Office implementation, the majority of which is subject to a carry forward request

**30 Finance £(335k) favourable**

The overall position for the service is an underspend of £(335k), this is as a result of the release of the Icelandic provision which had a net effect on the service area of £(258k) and slippage on Procure to Pay and Fixed Assets projects of £(100)k . This was offset by redundancy costs of £20k.

**31 Corporate Accounts –£(408k) favourable variance**

There are a number of variations within Corporate accounts details of which are given below:

**32 Adverse**

- Reduced interest charged to HRA on cash balances due to lower interest rates and less cash balances - £0.1 million.
- Interest paid on outstanding debt higher than budgeted - £0.1 million.
- Additional revenue funding for capital projects £0.7 million, mitigating prudential borrowing and increased vehicle funding of £0.5 million.

- Increase in provision to cover court costs £0.3 million.

### 33 Favourable

- Investment income up due to increased investment returns - £0.1 million.
- Underspends on contingencies for employee wage inflation (there was nil pay inflation in 2011-12) , contingencies for savings, homelessness and redundancy subsequently transferred to reserves £2.1 million subsequently transferred to reserves.

### 34 Movements to last month

The monitoring in February indicated a favourable variance to budget of around £1.409 million. The position now reported shows a favourable variance of £0.484 million an adverse movement of £0.925 million. This can be explained by:

- Additional provision for bad debts to cover outstanding court costs arising from council tax arrears cases of £0.3 million. The current debt outstanding is approximately £0.5 million and the provisions represents 56% of this debt.
- Additional transfer to the insurance reserve of £300k. This increase follows a recent actuarial review of the council's insurance fund. This puts the fund at the higher end of liabilities which may fall on the fund but is influenced by recent developments in the administrative arrangements for the run-off of Municipal Mutual Insurance, the council's previous insurers. MMI last wrote an insurance policy in 1992 and has been in run-off ever since. Whilst MMI remain solvent then they can continue to cover past insurance liabilities of all councils who were insured with them. However of late the financial position of MMI has deteriorated which under the terms of the run off scheme may trigger a clawback of previously paid losses to Oxford City as well as other councils. The net exposure to Oxford is currently around £500k. The overall insurance fund and the decision to increase the fund has taken this into account
- A. release of the earmarked reserve for Icelandic banking losses which was assessed and is no longer required of £(258)k.
- A £700k increase in the Direct Revenue Funding of expenditure in the Capital Programme to mitigate the need for Prudential borrowing .
- Other net variations -£(117)k

### 35 ACHEIVEMENT OF SAVINGS AND EFFICIENCIES

The approved budget for 2011/12 includes £4.2m of efficiencies and service reductions. The table below details the position by service area as at 31<sup>st</sup> March 2012.

	Efficiency Savings			Service Reductions		
	Approved Savings £000's	Projected outturn £000's	Var £000's	Approved Savings £000's	Projected outturn £000's	Var £000's
People & Equalities	(260)	(260)		(18)	(18)	
Law & Governance	(39)	(39)		(111)	(101)	10
PCC	(102)	(102)		(65)	(65)	
<b>Chief Executive</b>	<b>(401)</b>	<b>(401)</b>		<b>(194)</b>	<b>(184)</b>	<b>10</b>

Finance	(107)	(77)	30	(49)	(49)	
ICT	(102)	(102)				
Business Trans	(81)	(81)				
<b>Finance and Efficiency</b>	<b>(290)</b>	<b>(260)</b>	<b>30</b>	<b>(49)</b>	<b>(49)</b>	
Direct Services	(680)	(680)				
City Leisure	(511)	(461)	50	(12)	(1)	11
Customer Services	(241)	(241)				
Environmental Development	(110)	(85)	25	(110)	(110)	
<b>City Services</b>	<b>(1,542)</b>	<b>(1,467)</b>	<b>75</b>	<b>(122)</b>	<b>(111)</b>	<b>11</b>
City Development	(123)	(123)		(136)	(136)	
Housing and Communities	(624)	(624)		(476)	(476)	
Corporate Assets	(317)	(317)		(9)	(9)	
<b>City Regeneration</b>	<b>(1,064)</b>	<b>(1,064)</b>		<b>(620)</b>	<b>(620)</b>	
<b>Mitigating Savings</b>						
Law & Governance						
Finance		(30)	(30)			
City Leisure		(50)	(50)		(11)	(11)
Environmental Development		(25)	(25)			
		<b>(105)</b>	<b>(105)</b>		<b>(11)</b>	<b>(11)</b>
<b>Total</b>	<b>(3,296)</b>	<b>(3,297)</b>		<b>(985)</b>	<b>(975)</b>	<b>10</b>

36 As at 31<sup>st</sup> March 2012 all efficiency savings and service reductions have been either achieved or mitigated. Mitigations have taken place as follows:

- i. Law and Governance have not, as previously reported, achieved a £10k savings due to alternative restructuring proposals having been implemented within Democratic Services. Consequently the £10k service reduction was not achieved as shown in the table above.
- ii. Finance have not achieved in full a saving of £50k relating to the roll out of direct debits. The shortfall has however being met from other savings within the Service
- iii. The £25k saving associated with the Environmental Development was based on an additional funding stream being realised which hasn't materialise. This unachieved income was offset by savings in other revenue budgets within the service.
- iv. City Leisure had originally identified reduced vehicle fleet requirements as a means of achieving their £50k service area savings. However the vehicles, when decommissioned, would be savings realised by City Works as this is where the costs were originally allocated rather than City Leisure. In addition City Leisure has not achieved an £11k service reduction relating to the planned disposal of a mini bus. The disposal has not taken place. The saving was however met by other revenue budget savings within the service.



- 37 Achievement of £4.2 million of savings is a major achievement for the Council. In accordance with the Partnership Payment agreement with our trade unions a payment of £300 per full time equivalent member of staff is triggered provided all budgeted efficiencies have been made and individual members of staff have: a) achieved at least an 'A' in their 11/12 year end appraisal and; b) not hit an absence trigger. Additionally, the agreement states that a share of 50% of any additional efficiencies is payable up to a maximum payment of £550 per FTE.
- 38 In reviewing the outturn position additional savings of approximately £190k have been identified resulting in a Partnership Payment for 2011/12 of £416 per FTE member of staff. These additional savings relate to
- Savings from route optimisation for waste collection - ~£60k
  - Reduced use of Agency staff - £130k
- 39 This results in a total payment to our workforce of £340k, to be financed from the contingency for unachieved savings.
- 40 Payments will be made to all qualifying staff as part of the July payroll run. At the time of writing, letters are being prepared for all staff to thank them for their contribution and advising them of whether or not they qualify for the payment and for those staff qualifying the value of their payment.

#### 41 RESERVES, PROVISIONS AND BALANCES

The analysis of the net transfer to reserves and provisions is shown in Appendix A with a summary shown below.

	Balance b/f 31-03- 11	Transfer In	Transfer Out	Net Transfer (In)/Out	Balance c/f 31-03- 12
	£000's	£000's	£000's	£000's	£000's
<b>Earmarked Reserves</b>					
General Fund	(5,475)	(7,143)	1,871	(5,272)	(10,747)
HRA	(2,628)	(768)	2,582	1,814	(814)
<b>Total</b>	<b>(8,103)</b>	<b>(7,911)</b>	<b>4,453</b>	<b>(3,388)</b>	<b>(11,561)</b>
<b>Provisions</b>					
General Fund	(4,465)	(696)	454	(242)	(4,707)
HRA	(1,573)	(18)	0	(18)	(1,591)
<b>Total</b>	<b>(6,038)</b>	<b>(714)</b>	<b>454</b>	<b>(260)</b>	<b>(6,298)</b>
Insurance Fund	(1,373)	(343)	29	(314)	(1,687)

- 42 At the 31<sup>st</sup> March 2012 earmarked reserves and provisions stood at £17.859 million in total, £15.454 million for General Fund and £2.405 million for HRA. In addition the Council holds a reserve for future insurance liabilities of around £1.687 million. Most notable transfers in 2011/12 include:

#### 43 Earmarked Reserves General Fund

- i. £1.8 million is in respect of budgeted contingencies which were not used in year. These will be reviewed as part of the 2012/13 budget review process
- ii. £1.9 million is in respect of grants received by the authority in the year which are credited to a reserve pending spend in future years
- iii. £1.2 million is in respect of underspends on committed projects in services which have been carried forward to be used in 2012-13 of which an amount of £643k is detailed in Appendix B and requires CEB approval
- iv. £0.4 million is in respect of income that has been received in respect of HMO license applications the work for which will be progressed in 2012-13
- v. An increase in the insurance fund to fund potential liabilities arising from claims by MMI has been made of £0.3 million following a recent actuarial review of the insurance fund
- vi. Residual balances, representing surpluses on the Council's General Fund totalling approximately £0.5 million have been transferred to a reserve to fund the Capital Programme, together with the £0.5 million in respect of New Homes Bonus grant received in year.

#### HRA

- vii. The Decent Homes reserve of £2 million has been used to finance the Capital Program and is now closed.
- viii. Unspent revenue balances are in relation to projects to be spent in 2012-13 and require Member approval. These are shown in Appendix B

#### 44 Provisions

##### General Fund

- ix. **St Aldates** – A provision in respect of St Aldates rent review of £300k has now been released to revenue following satisfactory conclusion of the arbitration
- x. **Rent deposit scheme** – A provision of approximately £3.5 million is held to cover deposits to landlords on behalf of tenants. The provision is based on 86% of the deposit paid.
- xi. **Lord Mayor's Deposit Scheme.** An amount of £478k is currently held in this reserve which was originally 'pump primed' by the Lord Mayor's charity.

#### HRA

- xii. **Southfield Park** – An amount of approximately £1.3 million is held in relation to the lease agreement on Southfield Park. There is an ongoing rent review associated with the property which should soon come to fruition. No further transfer to the reserve has been made in 2011/12 as the reserve is now considered sufficient

#### 45 General Fund Balance

An amount of £816k was budgeted to be transferred to the General Fund Working Balance. As at 31<sup>st</sup> March 2012 this stood at £5.244 million which accords with the Medium Term Financial Plan.

#### 46 HRA Working Balance

At 31<sup>st</sup> March 2012 the HRA working balance stood at £2.62 million after transferring the surplus of £0.620 million achieved in 2011/12. This is £0.1m more than budgeted.

#### 47 PROVISIONAL HOUSING REVENUE ACCOUNT OUTURN (HRA)

The HRA was budgeted to make a surplus of £0.5 million for 2011/12. The outturn position as shown was £0.6 million, a favourable variance of £0.1 million. A detailed breakdown is shown in Appendix C and summarised below:

	Approved Budget 2011-12	Actual 2011-12	Variance
	£000's	£000's	£000's
<b>Income</b>			
Rent and Service Charges	(37,995)	(38,198)	(203)
<b>Expenditure</b>			
Repairs	9,964	9,986	22
Caretaking	941	942	1
Tenancy Management	18,070	214,288	196,218
<b>Appropriations</b>			
Transfer to/(from) earmarked reserves and insurance fund	0	136	136
Other including self financing	8,520	(187,774)	(196,294)
<b>Surplus</b>	(500)	(620)	(120)

Notable variations in the above table include:

- i. Additional rental income of £(0.3) million arising from increased re-lets and weekly rents moving to target rent
- ii. A saving of provision for the rent review on Southfield Park of £(0.2) million. The review is coming to fruition and the current provision of £1.3 million will be sufficient to cover accrued rental charges
- iii. An overspend in day-to-day repairs caused by additional gas maintenance works - £0.4 million
- iv. The impact of the introduction of self financing and the requirement to make a payment to the Department of Communities and Local Government of £198.5 million shown in 'tenancy management'. Although this payment is made within the revenue account accounting convention is that it should have no effect on the 'bottom line' and ultimately on the level of balances, consequently it is reversed out through appropriations

#### 48 CAPITAL PROGRAMME

The Council's budgeted capital spend for 2011/12 was approximately £35 million. Actual spend was £21 million, representing a variation of £14 million, of which approximately £11 million was carried forward as slippage to be spent in future

years. Appendix D gives an analysis of spend against budget for each capital scheme and most notable variations include the following:

- slippage on the construction of the Competition Swimming Pool at Blackbird Leys of £7.8 million due to a Judicial Review of the Council's decision on the project;
- £3 million of variations on HRA related schemes including slippage of £0.7 million in relation to works to Tower Blocks, £1 million underspend relating to the construction of Cardinal House and £1.2 million of slippage on other improvement works such as doors, windows and heating.
- £0.8 million underspend in respect of 'city development' infrastructure schemes including development fees for land at Barton £0.5 million which were subsequently charged to revenue.
- £0.5 million slippage on repairs and refurbishment of corporate buildings including Rosehill Community Centre of £0.2 million
- £0.8 million underspend on Play Barton and £0.2 million of other play area slippage
- £0.3 million of slippage on ICT related projects

49 Financial regulations allow the slippage of schemes within the capital program and consequently any slippage identified at 31<sup>st</sup> March will be slipped into 2012/13 financial year

#### **50 FINANCIAL IMPLICATIONS**

These are covered within the main body of the report.

#### **51 LEGAL IMPLICATIONS**

There are no legal issues arising as a consequence of the report.

#### **52 RISK IMPLICATIONS**

There are no risks associated with the recommendations in this report.

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