

# Cabinet Report



Listening Learning Leading

## Scrutiny Committee Report

Author: Simon Hewings

Tel: 01491 823583

E-mail: [simon.hewings@southoxon.gov.uk](mailto:simon.hewings@southoxon.gov.uk)

Cabinet Member responsible: David Dodds

Tel: 01844 297714

E-mail: [david.dodds@southoxon.gov.uk](mailto:david.dodds@southoxon.gov.uk)

DATE TO CABINET: 8 December 2011

DATE TO SCRUTINY COMMITTEE 20 December 2011

AGENDA ITEM NO 5

## Budget monitoring: September 2011

### Recommendations

Cabinet is asked to note the report.

### Purpose of Report

1. To provide a quarterly update on the council's net revenue and capital expenditure against budget, and provide explanations for any significant variations against budget.

### Strategic Objectives

2. Sound financial management is central to the strategic objective of managing our business effectively. An effective budget monitoring process is the cornerstone of good financial management.
3. Monitoring actual performance against budget ensures that we spend our finances in accordance with the delegated powers within the constitution. In addition, changes in circumstances, which affect our spending requirements, can be recognised and considered in the preparation of future years' budgets.

### Background

4. The report summarises the service department expenditure against budget, for both revenue and capital expenditure. The focus is on the forecast outturn for the 2011/12 financial year, as predicted at the end of September 2011.

## Revenue budget monitoring

### BACKGROUND

5. The net cost of services budget for 2011/12, approved by council in February 2011, was £14.524 million after deducting council tax freeze grant of £171,000 and new homes bonus of £316,000. The budget has since increased, and so the working budget for the year is now £14.763 million. This is the result of the addition of budget carry forwards from 2010/11.
6. The 2011/12 budget was set with the savings and costs from the below tier four restructure exercise and the review of corporate management unallocated to service areas. These ongoing savings of £544,000 and one off costs of £202,242 in respect of the below tier four restructure and £80,000 ongoing saving for review of corporate management have now been allocated to service areas.

### SERVICE REVENUE OUTURN FORECAST

7. There is currently a forecast favourable outturn variation of £1.088 million on the service revenue budgets for 2011/12. This is analysed by service in table 1 below.

<b>Table 1 Revenue account outturn spend against annual budget</b>	<b>Working budget (full year) £000</b>	<b>Forecast actual (full year) £000</b>	<b>Year end forecast variance £000</b>
Corporate management team	383	171	(212)
Corporate strategy	5,058	4,872	(186)
Economy, leisure and property	63	(50)	(113)
Finance	2,266	2,523	257
Health and housing	1,791	1,777	(14)
HR, IT and customer	1,785	1,709	(76)
Legal and democratic services	1,118	1,020	(98)
Planning	1,986	1,653	(333)
Central contingency	313	0	(313)
<b>Net cost of services</b>	<b>14,763</b>	<b>13,675</b>	<b>(1,088)</b>
Area based grant	0	0	0
Charges to capital	(20)	(20)	0
Interest	(1,200)	(1,200)	0
Transfer to/(from) reserves as per original budget	(237)	851	1,088
Transfer from carry forward reserve	(239)	(239)	0
<b>Budget requirement set by council</b>	<b>13,067</b>	<b>13,067</b>	<b>0</b>
Parish precepts	3,778	3,778	0
<b>Total funding requirement</b>	<b>16,845</b>	<b>16,845</b>	<b>0</b>
Collection fund precept	(10,628)	(10,628)	0
Government grant settlement	(6,038)	(6,038)	0
Collection fund surplus	(179)	(179)	0
	<b>(16,845)</b>	<b>(16,845)</b>	<b>0</b>

## SIGNIFICANT VARIATIONS AGAINST BUDGET

8. The main variances within the individual service areas are shown in table 2 below. This shows the variance against the gross expenditure and income lines within the services. These explanations are edited from those provided by budget holders in their budget monitoring reports and from the meetings held with their service accountants. Significant elements of the savings are a direct result of cost reduction measures being implemented.

**Table 2**  
**Detail by service of main variances**

	<b>Over / (under) spend £000</b>
<b>Corporate management team</b>	
<b>Expenditure</b>	<b>(60)</b>
<p>This variance is for the fit for the future budget which is expected to be underspent at year end because of delays in the programme due to a tender process. A carry forward request will be made to enable work to continue in 2012/13.</p>	
<b>Income</b>	<b>(152)</b>
<p>One-off expenditure on Didcot growth point, which was originally to be financed from the council's own resources, will now be financed from government grant funding, which will be credited to the budget.</p>	
	<u><b>(212)</b></u>
<b>Corporate strategy</b>	
<b>Expenditure</b>	<b>(96)</b>
<p>There is a projected underspend of £50,000 on street cleansing because it has been agreed that an accrued bonus payment will not now be made as performance did not meet the target. For the service as a whole employee costs are underspent by £47,000 mainly due to vacancies.</p>	
<b>Income</b>	<b>(90)</b>
<p>There is unbudgeted grant income of £75,000 including one off income from Oxfordshire County Council in respect of local area reward grant in community partnerships. Any unspent grant will be taken to reserves at year end. There will be additional income on garden waste due to increased volume leading to recycling payments.</p>	
	<u><b>(186)</b></u>

## **Economy, leisure and property**

**Expenditure** (140)

Employee costs are projected to be underspent by £65,000 including redundancy costs. Premises are expected to be underspent by £55,000 mainly in facilities management and leisure.

**Income** 27

There are no significant variances.

(113)

## **Finance**

**Expenditure** (504)

There has been a fall in expenditure on benefits due to a reduction in overpayments being made of £381,000.

**Income** 761

Total income receivable (HB subsidy and recovery of overpayments) has fallen by a greater sum as overpayments no longer anticipated would have resulted in both 100% subsidy and the overpayment being received.

257

## **Health & housing**

**Expenditure** (11)

There are no significant variances.

**Income** (3)

There are no significant variances.

(14)

## **HR, IT & customer services**

**Expenditure** (76)

In computer administration there is a projected underspend of £50,000 on employees and supplies and services.

**Income** 0

There are no income variances projected.

(76)

## Legal & democratic

**Expenditure** 7

There are no significant variances.

**Income** (105)

Land charges income is projected to exceed budget by £70,000 due to higher than predicted search numbers.

(98)

## Planning

**Expenditure** (163)

Employee costs are projected to be underspent by £81,000 mainly due to vacancies. The full costs of a growth bid to defend potential planning applications are predicted to be £50,000 lower than originally estimated as only one appeal has been held.

**Income** (170)

Fee income is projected to exceed budget by £100,000 for building control and £70,000 for development management. Any surplus made on building control will be credited to the building control reserve rather than to the council's general fund balance.

(333)

## Contingency

(313)

The contingency is projected to be unspent at year end.

## Capital budget monitoring

### BACKGROUND

9. The programme of approved capital expenditure for 2011/12, including slippage carried forward from the previous year, stood at £5.007 million at the end of September (details are contained in table 3). The 2011/12 provisional programme stood at £2.751 million (details are contained in table 4).

### SUMMARY OF CAPITAL PROGRAMME SPEND AGAINST ESTIMATED OUTTURN

10. Table 3 below shows the estimated outturn and variance on each service's capital budget for the year to 31 March 2012 only - it does not show future year projected spend. However, where significant variances against total expenditure for individual schemes are known then these are discussed below.

<b>Table 3</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2011/12</b>
<b>Capital – approved and provisional programme spend against outturn</b>	<b>Original budget</b>	<b>Latest</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Approved programme</b>				
Corporate management team	404	812	812	0
Corporate strategy	222	1,348	1,348	0
Economy, leisure & property	685	1,119	823	(296)
Finance	33	33	33	0
HR, IT & customer	0	89	89	0
Health & housing	845	1,551	1,551	0
Legal & democratic services	0	33	33	0
Planning	0	22	22	0
<b>Total approved programme</b>	<b>2,189</b>	<b>5,007</b>	<b>4,711</b>	<b>(296)</b>
PROVISIONAL PROGRAMME	2,455	2,751	2,751	0
<b>Grand total</b>	<b>4,644</b>	<b>7,758</b>	<b>7,462</b>	<b>(296)</b>

#### APPROVED PROGRAMME

11. Table 4 below shows how the latest budget shown for the approved capital programme of £5.007 million has moved from the original approved budget for the year of £2.189 million.

<b>Table 4</b>	<b>2011/12</b>
<b>Reconciliation of original to latest approved programme budget</b>	<b>£000</b>
<b>Original budget</b>	<b>2,189</b>
Slippage brought forward from 2010/11	2,573
Budgets added	906
Budgets removed	(25)
Budgets transferred from provisional programme	774
Slippage	(1,560)
<b>Latest budget</b>	<b>5,007</b>
<b>Estimated outturn</b>	<b>4,711</b>
<b>Variance</b>	<b>(296)</b>

12. The slippage of £1,560,000 is made up of the following.

- Didcot growth points - £1,310,000. This budget has slipped due to the delay to the Didcot station forecourt project, which is being led by Oxfordshire County Council. The county council have advised us that the commencement date for this project is now likely to be in the final quarter of 2011/12.
- £250,000 of CIF grants have slipped to next year. Due to the long lead time for CIF grant funded projects, the budgets agreed in year often do not start until the following financial year.

13. The significant variances included within the £296,000 projected underspend are detailed below:

- Savings on completed schemes - £34,000:
  - All underspends are made up of variances under £50,000
- Schemes expected to be reprofiled to 2012/13 - £273,000:
  - £130,000 for the land drainage scheme will be slipped to next year. This is a scheme funded by developer contributions towards drainage for the building of homes at Ladygrove East, Didcot. The project has been delayed until the section 106 agreement is finalised;
  - Based on current estimates of the compensation claims for Didcot town centre redevelopment, £95,000 will be profiled to 2012/13;
  - The public art scheme at the Orchard Centre will be installed in May 2012, therefore £15,000 will be moved to 2012/13;
  - £33,000 of the town centre initiatives budget will be slipped to next year. This is to allow members time to approve a potential grant to Thame for the delivery of remaining projects.
- Schemes expected to overspend - £11,000:
  - The project architects works have overrun at Park leisure centre and the final figures indicate that there will be an overspend. This overspend will be covered by a virement from the Henley leisure centre budget.

#### PROVISIONAL PROGRAMME

14. Table 5 below shows how the provisional capital programme has moved from the original budget for the year of £2.455 million to the current budget of £2.751 million.

<b>Table 5</b>	<b>2011/12</b>
<b>Reconciliation of original to latest provisional programme budget</b>	<b>£000</b>
<b>Original budget</b>	<b>2,455</b>
Slippage brought forward from 2010/11	1,070
Transfers to the approved programme 2011/12	(774)
<b>Latest budget</b>	<b>2,751</b>

### Financial Implications

15. These are contained within the body of the report.

### Legal Implications

16. None.



## **Other Implications**

17. There are no human resources, sustainability, equality or diversity implications of this report.

## **Conclusion**

18. This report provides details of the revenue and capital year-end outturn forecasts and current actual variances as at 30 September 2011, against the budget for 2011/12. Actual expenditure on both revenue and capital is and is expected to remain below budget, for the reasons as outlined in the report.

This page is intentionally blank