

Report to: Cabinet Scrutiny Committee

Report of Head of Finance

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To: SCRUTINY COMMITTEE 21 August 2012

To: CABINET 6 September 2012



Listening Learning Leading

AGENDA ITEM 4

Financial outturn 2011/12

Recommendations

That cabinet notes the report.

Note: If councillors wish to raise specific questions please send these in advance if possible to either the committee clerk or the head of finance. If questions are not submitted in advance, it may not be possible to answer these in detail at the meeting.

Purpose of Report

1. To report the final year end position for revenue and capital expenditure against budget for the financial year 2011/12.

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 sustainable financial management.
3. Monitoring actual performance against budget ensures that expenditure continues to be in accordance with the delegated powers within the constitution, and that changes in circumstances which have affected spending requirements are recognised and can be considered in the preparation of future years' budgets.

Structure of the report

4. The structure of the report is as follows:

REVENUE

- background
- summary of service revenue outturn
- major variations against budget.

CAPITAL

- background
- approved capital programme
- provisional capital programme
- financing of capital expenditure.

BALANCES

- analysis of the year end position on the council's reserves and balances.

Revenue outturn

BACKGROUND

5. The budgeted net cost of services 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.
6. During the year, this budget increased to £14.763 million due to the addition of budget carry forwards from the previous year. The movement in budget during the year is shown in appendix A1.
7. Cabinet has received regular budget monitoring reports during the financial year.

SUMMARY OF SERVICE REVENUE OUTTURN

8. Various savings initiatives have been running throughout 2011/12 with the intention of reducing spending in the light of reduced government funding from 2011/12 onwards. These have delivered in-year savings in 2011/12. The initiatives include fit for the future and below tier four restructuring, and together with other savings and increases in income have resulted in a variance of £3.421 million on the service revenue budgets for 2011/12. This is analysed by service in table 1 below:

Table 1 Summary of revenue expenditure and variances	Original budget £000	Latest budget £000	Actual £000	Variance £000
Corporate management team	234	570	153	(417)
Corporate strategy	5,036	5,068	4,444	(624)
Economy leisure and property	104	45	(378)	(423)
Finance	2,257	2,279	2,400	121
Housing and health	1,860	1,790	1,335	(455)
HR,IT and customer services	1,838	1,794	1,519	(275)
Legal & democratic services	1,251	1,118	701	(417)
Planning	1,935	1,986	1,168	(818)
Central contingency	9	113	0	(113)
Total	14,524	14,763	11,342	(3,421)

9. The year-end variance identified above of £3.421 million compares to a forecast underspend of £2.018 million reported in December 2011. Appendix A2 provides a comparison of the outturn forecast at December 2011 to the actual outturn above.

MAJOR VARIATIONS AGAINST BUDGET

10. There are a number of major areas where savings and increases in income have occurred this year which have affected the outturn position. These are in summary:
- overall salary underspend - £1,159,000 (11.9 per cent of salary budgets) see paragraph 11;
 - underspend against specific one off schemes approved for 2011/12 not carried forward - £31,000 see paragraph 12;
 - underspends against specific one-off schemes approved for 2011/12 and earlier years, and carried forward to 2012/13 - £378,000 see paragraph 13;
 - earmarked revenue grant funding that has been received but has not been spent - £279,000 see paragraph 15.
 - other variances - £1,574,000 see paragraphs 16 to 19. The other variations can be analysed as follows:-
 - a) savings due to more efficient working, reduced demand or budget no longer required £386,000;
 - b) increased income £685,000; and
 - c) general net over/underspends £503,000.

Further analysis of these variations is shown in table 2 below.

Table 2 Summary of major variances against budget	Variance £000	Explanation				
		Salary over/ (under) spends (para 11) £000	2011/12 growth u'spend (para 12) £000	Growth u'spend c/fwd to 2012/13 (para 13) £000	Earmarked grant received (para 15) £000	Other variations (para 16-19) £000
Corporate management team	(417)	(7)	0	(204)	(169)	(37)
Corporate strategy	(624)	(121)	0	0	(67)	(436)
Economy leisure & property	(423)	(198)	(3)	(21)	0	(201)
Finance	121	(40)	0	0	0	161
Health and housing	(455)	(145)	0	0	(4)	(306)
HR, IT and customer services	(275)	(97)	(25)	(6)	0	(147)
Legal & democratic services	(417)	(221)	(3)	(17)	0	(176)
Planning & building control	(818)	(330)	0	(130)	(39)	(319)
Central contingency	(113)	0	0	0	0	(113)
Direct service expenditure	(3,421)	(1,159)	(31)	(378)	(279)	(1,574)

Table 2 (continued) Analysis of significant other underspends	£000
a) saving due to more efficient working, reduced demand or budget no longer required (para 17):	
FFTF phase 2 - remaining budget no longer required	(91)
Housing benefit bad debt contribution – reduction following review of debt	(218)
Net balance of other variations less than £50,000	(77)
	(386)
b) Increased income (para 18)	
Recycling - surplus income	(141)
NNDR & council tax debtors court fee income – additional costs awarded	(51)
Homelessness grant income - repayment of loans	(116)
Pension costs rechargeable to other authorities – increased income	(61)
Land charges income – greater than expected search volumes	(69)
Building control income – change in charging regime	(81)
Planning income – includes some larger projects	(166)
	(685)
c) general net over/underspends (para 19)	
Central contingency underspend	(113)
New homes bonus – delay in payment of affordable housing bonus	56
Waste contract – savings against budget	(299)
Bulky waste and brown bin income – includes write offs for brown bins	86
Facilities, toilets, and land drainage - reduced premises and contractor costs.	(68)
Leisure income – delays in capital projects meant delays in footfall increase	53
Housing benefit payments net cost – fewer overpayments reduces debt raised and subsidy received.	338
Financial services contract – accrued performance reward payments	177
Homelessness –reduction in costs	(117)
Democratic and electoral services savings	(90)
Net balance of other variations less than £50,000	(526)
	(503)
Grand total	(1,574)

Further details on these are provided in the paragraphs below.

SALARY UNDERSPEND

- When the council's budget is set it is assumed that all staff posts will be filled throughout the year. Restructures including below tier four have been implemented during the year resulting in savings. The restructure savings were better than estimated mainly because the estimated savings were based on the worst case scenario. This is transferred to a separate reserve which is then used to fund expenditure in future years. For 2012/13 £1,159,000 has been transferred to the reserve.

UNDERSPEND ON SPECIFIC ONE-OFF SCHEMES NOT CARRIED FORWARD

- As part of the budget setting process for each financial year, council agrees to growth for specific one-off schemes. For 2011/12 £257,000 was approved

during the 2011/12 budget setting process. Of this growth, £31,000 of the budget allocated has not been spent and is now not required. This unspent amount remains in the council's balances.

UNDERSPENDS ON SPECIFIC ONE-OFF SCHEMES CARRIED FORWARD

13. At the end of each financial year, budget holders can request that unspent budget be carried forward to the following financial year. This can only be for one-off items, and is agreed by management team and the head of finance.
14. A total of £378,000 has been carried forward to 2012/13. There are three carry-forwards in excess of £50,000 which are detailed below:
 - Corporate management team - Didcot growth point - £64,000. Project delivery requires rescheduling of key stages and events with subsequent reprofiling of expenditure.
 - Corporate management team – fit for the future - £140,000. Phase 3 began in December 2011 and is due to run for 16 to 24 months.
 - Planning – Local plan -£130,000. Core strategy delays have required a carry forward.

EARMARKED GRANT RECEIVED

15. Under International Financial Reporting Standards (IFRS), earmarked revenue grant funding that has been received but has not been spent has to be transferred to a reserve and in 2011/12 this totalled £279,000. The following grants were in excess of £50,000:
 - Corporate management team - £124,000 - Didcot growth point.
 - Corporate strategy - £67,000 – Local Area Agreement funding for the South Oxfordshire partnership

OTHER VARIANCES

16. The following represent the other key variances in excess of £50,000 that occurred during the 2011/12 financial year.
17. Savings due to more efficient working, reduced demand or budget no longer required:
 - Corporate management team - £91,000 underspend on fit for the future. Phase 2 of this project is no longer required.
 - Finance – £218,000 reduction in the contribution required to the housing benefit bad debt provision. This follows a successful exercise by the contractor to significantly reduce outstanding benefit overpayment arrears. This has been reflected in the 2012/13 budget.
 - Other savings of less than £50,000 totalled £77,000.

18. Increased income:

- Corporate strategy - £141,000. Recycling income is up in respect of dry waste by £93,000 and £48,000 for green waste as a result of increased volumes.
- Finance - £51,000. The amount of debt raised for court fees awarded in respect of NNDR and council tax debts reflects a higher than estimated number coming into the debt recovery process.
- Health and housing - £116,000. Homelessness income exceeded budget mainly because of a change in the accounting treatment of the repayment of rent deposit loans for prior years of £80,000. This sum will form part of the reserves rather than remain in the service account.
- HR, IT and customer services - £61,000. This is in respect of the share of hidden pensions rechargeable to the Vale of White Horse District Council. The restructure costs and the apportionment of those costs between this council and the Vale of White Horse District Council assumed the worst case scenario.
- Legal and democratic - £69,000. Land charges income exceeded the budget due to greater than expected search volumes.
- Planning - £81,000. Building control income is above budget mainly due to higher income being accrued from 2010/11 due to a change in the charging regime.
- Planning - £166,000. Planning income exceeded budget mainly because of some larger projects and the introduction of new charging arrangements. The 2012/13 budgets reflect the impact of the latter.

19. General net over/underspends:

- Central contingency - £113,000 underspend. As part of the budget setting process for 2011/12, a figure of £9,000 was budgeted for contingency purposes, to be used in year if unforeseen issues arose. This budget comprised of £300,000 general contingency less estimated savings from restructures which had not already been allocated to services of £291,000. The underspend comprises of £81,000 of the general contingency unused and additional savings from restructures of £32,000.
- Corporate management team - £56,000. New homes bonus received was lower than estimated. The estimate had included the affordable housing bonus which is payable in arrears.
- Corporate strategy - £299,000 underspend on waste contract. This includes £116,000 for contract fees and £115,000 for delivery costs. These factors will be taken into account when preparing the 2013/14 budgets. The remaining £68,000 is in respect of an estimated accrual for 2010/11 bonuses which was higher than the actual payment made.

- Corporate strategy - £86,000. Brown bin income is under by £54,000 due to write offs. Bulky waste income is under by £32,000 which has been reflected in the 2012/13 budgets.
- Economy, leisure & property - £68,000 underspend in premises and contractor costs. This includes £31,000 in facilities and £19,000 in toilets arising through a combination of factors including water savings and work being carried out by facilities staff rather than contractors. An underspend in land drainage of £18,000 reflected dry conditions during much of the year. Some of these savings have been reflected in 2012/13 budgets.
- Economy leisure and property - £53,000. Leisure centre income was down due to delays in capital projects postponing increased footfall revenues.
- Finance - £338,000 increase in net cost of housing benefits. This is mainly the result of fewer overpayments which has reduced the proportion eligible for full subsidy. The reduction in overpayments is partly due to improved operational performance and reduction of backlogs.
- Finance – £177,000 overspend on contractor payments. This was due to accrued performance reward payments in respect of 2010/11 and 2011/12 reflecting better than expected performance.
- Health and housing - £117,000 savings on homelessness. This includes:
 - £68,000 for the rent deposit scheme relating to reduced loans;
 - reduction in payments to landlords for damage done by tenants; and
 - reduction in the bad debt provision.

It also includes an underspend in the housing team of £21,000 including an underspend on choice based lettings of £16,000 relating mainly to external printing. Most of the savings are one off in nature and therefore not reflected in the 2012/13 budgets.

- Legal and democratic services – £90,000 savings in democratic and electoral services. As a result of the referendum on electoral reform taking place on the same day as district and parish elections; election costs were lower than expected. There were also savings in democratic services, particularly members allowances and expenses. Most of the savings are one off in nature and therefore not reflected in the 2012/13 budgets.
- Other net variances of less than £50,000 totalled £526,000.

Capital Outturn

BACKGROUND

20. The original approved capital programme for 2011/12 totalled £2.189 million. The original provisional capital programme at the beginning of 2011/12 totalled £2.455 million.

APPROVED CAPITAL PROGRAMME

21. During the year officers updated the spending profile of schemes with roll forwards from previous years and slippage to future years. Budgets were transferred from the provisional to the approved programme where the appropriate approval was obtained. This resulted in the approved capital programme increasing from £2.189 million to £4.540 million. Details of the budget changes in year are shown in appendix B and are summarised in table 3 below.

Table 3 Movement on approved capital programme budget	2011/12 £000
Original budget 2011/12	2,189
Roll forward from 2010/11	2,574
Schemes deleted from approved programme in year:	(30)
Schemes added to approved programme in year	
Growth points	906
Disabled facilities grants	150
Flood alleviation	10
Transfer from provisional programme	1,712
Slippage into 2012/13	(2,971)
Approved programme 31 March 2011	4,540

22. There is a net underspend against the £4.540 million budget of £1.677 million for 2011/12, which is summarised in table 4 below.

Table 4 Summary of major variations on capital schemes 2011/12	Original budget 2011/12 £000	Latest budget March 2012 £000	Actual £000	Variance (Latest budget v actual) £000
Underspends				
Corporate strategy:				
CIF projects	190	1,015	886	(129)
Waste management initiatives	0	113	29	(84)
Economy, leisure & property				
Park sports centre gym equipment	0	376	19	(357)
Riverside water feature	0	165	1	(164)
Carbon management programme	0	160	5	(155)
Leisure centres – capital works	0	161	68	(93)
Didcot town centre redevelopment	130	54	2	(52)
Town centre initiatives	114	70	19	(51)
Health & housing				
Disabled facilities grants	950	886	749	(137)
Social housing initiatives	0	590	402	(188)
	1,384	3,590	2,180	(1,410)
Total other variations under £50k	805	950	683	(267)
Grand total	2,189	4,540	2,863	(1,677)

23. A detailed breakdown of the variations by project/scheme is shown at appendix C.

SLIPPAGE ON SCHEMES

24. Capital schemes can span several years. While budgets are profiled across the life of schemes, slippage frequently occurs, often due to external factors. The final approved capital programme includes £2.574 million carried forward from 2010/11, while £2.971 million has been reprofiled from 2011/12 into future years to reflect revised expectations of project timescales.
25. Of the £2.971 million slippage in 2011/12, £2.122 million is attributable to the redevelopment of Didcot town centre and Didcot station.

UNDERSPENDS

26. Projects with underspends in excess of £50,000 are detailed below:
- CIF Projects - £129,000. Each year, the council awards grants to help community projects. These grants are added to the approved capital programme as soon as they are awarded, but the commencement of schemes is often delayed while the organisations secure funding from other sources and appoint contractors. A summary of the budget movement is shown in table 5 below.

Table 5	2011/12
Summary of movement on CIF grant budgets	£000
Original budget	190
Roll forward from 2010/11	682
Budgets deleted	(25)
Budgets added	500
Slippage	(332)
Expenditure in 2011/12	(886)
Budget remaining	129

- The remaining budget for CIF projects will be carried forward to 2012/13.
- Waste management initiatives - £84,000. The waste management budget provides for the purchase of the wheeled bins for the refuse collection contract. The remaining budget will purchase replacements for lost and stolen bins and will be carried forward to 2012/13.
- Park sports centre gym refurbishment - £357,000. The underspend on this scheme is due to profiling of expenditure. The final payments for this scheme were made in May 2012.
- Riverside water feature - £164,000. The underspend on this scheme is due to profiling of expenditure. The final payments for this scheme were made in June 2012.
- Carbon management programme - £155,000. This underspend is due to profiling of expenditure. The scheme was agreed in March 2012 and therefore the budget should have been allocated to 2012/13.

- Leisure centres capital works - £93,000. This underspend is due to profiling of expenditure. The scheme was agreed in March 2012 and therefore the budget should have been allocated to 2012/13.
- Didcot town centre redevelopment - £52,000. This is a long term project and the year end variance is due to profiling of expenditure.
- Town centre initiatives - £51,000. This is a long term project and the year end variance is due to profiling of expenditure.
- Disabled facilities grants - £137,000. This budget has overspent for the past few years and officers have taken tighter control to ensure the budget is not fully spent. This underspend will be taken back to reserves.
- Social housing initiatives - £188,000. This budget is reserved for open market homebuy purchases. There were seventeen approved cases in 2011/12. The underspend will be carried forward to 2012/13.

PROVISIONAL CAPITAL PROGRAMME

27. When funding for schemes is approved by council they are added to the provisional capital programme. Transfers to the approved capital programme are made after submission of a detailed capital scheme appraisal report to cabinet or by individual cabinet member's decisions, at which point the scheme can commence. The movement on the provisional capital programme for 2011/12 is shown in table 6 below.

Table 6	2011/12
Movement on provisional programme	£000
Original budget 2011/12	2,455
Rolled forward from 2010/11	1,070
Transferred to approved programme	(1,712)
Slippage identified in-year	(175)
Balance at 31 March 2012 to be carried forward to 2012/13	1,638

28. The £1.638 million remaining in the provisional programme relates to schemes that have not been progressed for a number of reasons, including the emergence of higher priorities or scheme delays. These will now be rolled forward to 2012/13 and are expected to be transferred to the approved programme during the year.
29. There are also some schemes for which most of the budget has been transferred to the approved programme, leaving a small balance in the provisional programme. In these cases the budget allocation in the provisional programme will be rolled forward to fund future costs on the schemes.
30. Some schemes are included in the provisional programme as a contingency against unforeseen events, such as the building emergency fund budget. These will continue to be rolled forward.

FINANCING OF CAPITAL EXPENDITURE

31. Capital expenditure is financed by a combination of capital receipts, government grants and other contributions and other earmarked reserves. Capital expenditure in 2011/12 was financed as shown in table 7 below:

Table 7 Financing of capital expenditure	£000
Capital receipts	1,090
Capital grants	637
Sums set aside from revenue	1,136
Total financing	2,863

Balances

32. The council's general fund balance at 31 March 2012 is £27.668 million. This balance represents the general fund surplus and deficiency balance of £750,000, the enabling fund balance of £16.309 million, and interest earned on capital receipts of £10.609 million.
33. In addition to the general fund balance, the council holds £14.455 million in earmarked reserves, and £37.590 million of uncommitted capital receipts that can be used to fund future capital expenditure.

Financial Implications

34. The financial implications are as set out in the body of the report.

Legal Implications

35. None

Other Implications

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

Conclusion

37. This report provides details of the revenue and capital outturn positions against budget for 2011/12. Actual expenditure on both revenue and capital has been below budget, for the reasons as outlined in the report.

Background Papers

- Revenue budget 2011/12 and capital programme to 2015/16 – report to council 24 February 2011.
- Budget monitoring 2011/12 - reports to cabinet
- Financial statements 2011/12 – report to audit and corporate governance committee 10 July 2012.