

Executive

2011/12 Projected Revenue & Capital Outturn at 30 September 2011

7 November 2011

Report of Karen Curtin, Head of Service

PURPOSE OF REPORT

This report summarises the Council's Revenue and Capital performance for the first six months of the financial year 2011/12 and projections for the full 2011/12 period. These are measured by the budget monitoring function and reported via the Performance Management Framework (PMF) informing the 2011/12 budget process currently underway.

This report also reviews the treasury and procurement action plan performance for the first six months of 2011/12.

This report is public

Recommendations

The Executive is recommended to:

- (1) Note the projected revenue & capital position at September 2011.
- (2) Note the Capital Slippage of £5.853m from the 2011/12 capital programme as detailed in the main body of this report.
- (3) Note the Quarter 2 performance against 2011/12 investment strategy.
- (4) Note progress against the Procurement Action plan detailed in Appendix 1 and the savings recorded in Appendix 2.

Executive Summary

Introduction

- 1.1 In line with good practice budget monitoring is undertaken on a monthly basis within the Council. The revenue and capital position is reported monthly to the Corporate Management Team and formally to the Executive on a quarterly basis. This report includes the position at Q2.

- 1.2 The revenue and capital expenditure in Q2 has been subject to a detailed review by Officers and reported monthly to management as part of the corporate dashboard. An additional benchmark has been included this year to measure the accuracy of projections by budget holders on a month by month basis.
- 1.3 A review of the treasury performance for Q2 is also included within this report.
- 1.4 Our performance has been regularly reviewed by our treasury management advisors Sector and by the Accounts, Audit and Risk Committee.
- 1.5 Progress against the Council's procurement strategy and the annual saving's target is also included within this report.

Conclusion

- 1.6 Due to the downturn in the economy, impact of the credit crunch on Council services and the volatility of the financial markets, the Council is keeping a watching brief on any challenges that they may need to face which may result in a redirection of budgets.
- 1.7 The variances on the revenue and capital projections are within the Council's stated tolerances of +2% / -5%.
- 1.8 The Council has a General Fund Revenue reserve to meet any budgetary surplus or deficit.
- 1.9 The actual return on investments for the quarter to September 2011 was £685k compared with a budget of £446k a variance of £239k. This is in line with expectations.
- 1.10 The Council's performance against the procurement action plan is in line with timescales and after 6 months 49% of the savings target has been achieved.

Background Information

Revenue and Capital Position at 30 September 2011

- 2.1 The Dashboard Revenue Report for September 2011 shows an underspend against budget of £802k. This differs from the projected year end position detailed below through profiling of expenditure and income
- 2.2 Total capital spend to September 2011 including commitments, amounts to £1.5m. This represents 10% of the total annual budget and 24% of the periodic budget.

Revenue Projected Outturn 2011/12

SEPTEMBER 2011 PROJECTIONS	Full-Year Budget	Projected Out-turn	Projection Variance
	2011/12	2011/12	2011/12
	£000's	£000's	£000's
DIRECTORATES			
Corporate Core	3,225	3,287	62
Environment & Community	8,975	9,164	189
Planning Housing & Economy	3,297	3,423	126
Net Expenditure Services	15,497	15,874	377
Use of General Risk Reserve		(159)	(159)
Increase in Investment Income		(218)	(218)
	15,497	15,497	0
Net Revenue Projected (under) / overspend 2011/12 @ September 2011			0

2.3 As detailed in the table above there is currently a projected service overspend of £377k which is offset by use of the general risk reserve of £159k to offset the income issues and increased investment income of £218k (see 2.7 below), leaving a net balanced position compared with budget. This variance is within the Council's stated tolerances of +2% / -5% and will continue to be monitored on a monthly basis.

2.4 Environment and Community currently has a projected overspend of £189k.

Environmental Services has a projected overspend of £150k. Agency costs are projected to be £59k above budget through long term sickness and bank holiday work. There are also significantly reduced tonnages, recycling credits and income from sales of recyclables which in part is being offset by the utilisation of reserves of £58k set aside for bin distribution. The MOT bay is currently projecting an under recovery of income of £27k although this may reduce to £17k if further savings materialise.

Health & Recreation is projecting a £24k overspend – primarily arising through reduced income from catering and conference hiring at the museum.

Various underspends within Environment & Community Administration, Safer Communities, Urban & Rural Services serve to part offset overspends of £19k in Customer Service and Information Systems relating to the unscheduled parallel running of datalines.

2.5 Within Planning Housing & Economy there is an overspend / under recovery of income projected of £126K.

Regeneration and Estates is projecting an under recovery of income from Castle Quay Shopping Centre of £150k, based on Q1 and Q2 rents received to date and a £26k reduction in rents from industrial units. However this is offset in part by additional income of £33k from estate shops and Banbury Rugby Club.

Due to the current economic climate there has been a significant increase in homelessness applications resulting in a projected overspend within Bed & Breakfast accommodation in Housing of up to £62k. This is however offset in part by additional income in Housing Benefit / Rental income and underspends in rent deposits. This will continue to be monitored.

2.6 Corporate Core is projected to be £62k overspent.

Finance is projecting an under recovery of court costs of approximately £50k. Projections for Rent Allowances and Subsidy income indicate an overspend of £66.3k however this is offset by an underspend on Council Tax rebate payments made of (£42.5k). Overspends in Discretionary rate relief of £22k are offset by salary and consultancy underspends.

These overspends are under investigation and a further update will be ready for Q3. They are partly offset by an underspend in Audit Fees due to an 8% reduction in 11/12 fees made by the audit commission and additional income projected with Land Charges for search fees of approximately £23k.

2.7 We are currently projecting an over recovery of interest of £218k based on interest received to September 2011, the forecasted cash flow for the remainder of the year adjusted for the contribution from the ECO town funds which are transferred back to the ECO town investment pots. This is detailed further in Para 2.18 – 2.22.

Capital Projection 2011/12

2.8 Total capital spend to September 2011, including commitments, amounts to £1.5M. This represents 10% of the total annual budget and 24% of the periodic budget.

SEPTEMBER 2011 PROJECTIONS	Full-Year Budget	Projected Out-turn	Projection Variance
	2011/12	2011/12	2011/12
DIRECTORATES	£000's	£000's	£000's
Corporate Core	65	70	5
Environment & Community	4,113	3,297	(816)
Planning Housing & Economy	11,417	6,486	(4,931)
	15,595	9,853	(5,742)
Net (Under) / Overspends			(111)
Identified Slippage			5,853
		As above	5,742

2.9 The projected spend for capital schemes at Q2 taking into consideration the slippage requests is £9.853m.

2.10 Assurance has been sought from Service Heads to ensure that schemes are started according to budgeted profile and have been reviewed by the Capital Investment Delivery Group.

2.11 The review undertaken has currently identified a total of £5.853m of slippage required into the 2012/13 programme. These are detailed below :-

Capital Schemes - slippage	£000's
Bicester Cattle Market Car Park Phase 2	90
Bicester Pedestrianisation	250
Thorpe Lane Depot Refurbishment Scheme	15
Old Bodicote House	236
Bicester Town centre Redevelopment	3,620
Access to Highfield depot	22
Acquisitions Scheme - to extend RSL Housing	99
Funding for Mollington & Hornton Rural Exception site	60
Purchase of Temp Acc Bryan House Bicester & Edward Street	132
Delegated Affordable Housing Capital Pot	500
South West Bicester Sports Village	829
	5,853

Joint Working Arrangements with South Northamptonshire

2.12 Our 2011/12 budget has been prepared on the basis that we will achieve £333k worth of savings in this current year.

2.13 The joint chief executive started earlier than anticipated in the business case and there will be savings as a direct result of this. It is anticipated that there will be further savings in the joint senior management team as the salaries are lower than assumptions contained in the business case.

2.14 We can confidently project that at the end of September – Q2 we will have achieved £124K of savings relating to staffing budgets as a result of vacancies and the earlier start of the CEX. We are also projecting additional income of approximately £40k through other Joint Working initiatives within Health & Safety, Democracy and Procurement.

2.15 Using this information and estimating a projection forward to the end of the year we do anticipate in excess of £333K worth of savings being achieved, however, the actual figure will be reported in Q3 report.

Efficiencies

2.16 Efficiencies and progress on achieving the budgeted commitment of £1m in 2011/12 is being progressed as part of the budget preparation process for 2012/13.

2.17 As at 30th September we have secured £749,633 which represents 75%

Treasury Performance Quarter 2 2011/12

2.18 The actual return on investments for the quarter to September 2011 was £685k compared with a budget of £446k a variance of £239k.

The actual return on investments by Fund manager can be seen below:

Fund	Amount at 30 th Sept 2011	Q2 Interest Budget YTD	Q2 Actual Interest YTD	Variance YTD	Annual Rate of return %
TUK	10,500,000	246,153	276,068	29,915	3.47
Investec	11,548,176	55,625	143,238	87,613	N/A
In House	50,256,358	144,060	265,551	121,491	1.24
Total	72,304,534	445,838	684,857	239,019	1.84

2.19 The 12 month benchmark for investment returns according to Sector is 1.34% and as illustrated, the authority outperformed the benchmark by **50 bps** primarily as a result of the longer term investments which are achieving >5% - these however are nearing maturity.

2.20 The performance is in line with expectations and the additional investment income is as a result of larger than expected balances. A substantial proportion of the investment income is related to the ECO Town funds and this income will be allocated directly to these funds.

2.21 After considering this we are projecting to be delivering an additional £218k of investment income compared to budget at the year end.

2.22 The mid year report considers the economic conditions and compliance with our annual treasury management strategy and this will be reviewed at the next meeting of the Accounts, Audit and Risk Committee.

Progress on Procurement Action Plan

2.23 Progress against the Council's procurement action plan is detailed in Appendix 1.

2.24 Collaboration continues apace with South Northamptonshire on a project by project basis with savings of up to 20% identified for postal services and savings of some £3,858 on water hygiene checks. Established partnerships with Councils across Oxfordshire and Buckinghamshire are also continuing to function well with Cherwell leading on tenders for the supply of tyres, liquid fuels and the review of Council Tax Single Person Discounts.

2.25 Cherwell is currently undertaking the following shared procurement projects:

- Internal Audit Services and Reactive Maintenance with South Northamptonshire Council;
- Council Tax Single Person's Discount Review with all Oxfordshire district councils;
- Credit checking facilities with all Oxfordshire councils;

- Traffic management services with South, Vale and West Oxfordshire districts.
- 2.26 The procurement target for securing ongoing cashable savings in 2011/12 is £150,000 and to date total savings achieved amount to £73,413 – i.e. 49% of the total at the mid-year mark. The full detail behind the savings can be seen in Appendix 2.
- 2.27 A growing percentage of the cashable savings have been secured by including a range of initiatives within tender documents, such as fixed pricing for the second and third year of the contract or at least fixing increases by 1% below the Consumer Price Index; requesting prompt payment discounts against invoice payments – the average being 3% but discounts offered being as high as 5%; requiring the contract to be made available to other local authorities and public bodies with retrospective discounts agreed in the event that there is an increase in expenditure over the year.
- 2.28 These savings will result in budget reductions in the formulation of the 2012/13 budget and contribute to in year cost reductions.

Key Issues for Consideration/Reasons for Decision and Options

- 3.1 This report illustrates the Council's performance against the 2011/12 Revenue and Capital Budget and includes details of Treasury Performance as at Qtr 2 – September 2011

The following options have been identified. The approach in the recommendations is believed to be the best way forward

- | | |
|-------------------|---|
| Option One | To review current performance levels and considers any actions arising. |
| Option Two | To approve or reject the recommendations above or request that Officers provide additional information. |

Consultations

The revenue and capital position has been subject to regular review by the Corporate Management Team and as part of the PMF framework.

Compliance with our investment strategy and monitoring of our returns was reported to the Accounts, Audit and Risk Committee on 23rd September 2011.

Implications

Financial: Financial Effects – The financial effects are as outlined in the report.

Efficiency Savings – There are no efficiency savings arising from this report however the budget 2011/12 was based on a number of efficiencies and progress against the 2012/13 efficiencies is included in Para 2.13.

Comments checked by Karen Muir, Corporate System Accountant 01295 221559

Legal:

Presentation of this report is in line with the CIPFA Code of Practice.

Comments checked by Kevin Lane, Head of Service 4 01295 221686

Risk Management:

The position to date highlights the relevance of maintaining a minimum level of reserves and budget contingency to absorb the financial impact of changes during the year.

Comments checked by Karen Muir, Corporate System Accountant 01295 221559

Wards Affected

All

Corporate Plan Themes

An Accessible and Value for Money Council

Lead Member

Councillor Ken Attack
Lead Member for Financial Resources

Document Information

Appendix No	Title
Appendix 1	Progress against the 2010/11 Procurement Action Plan
Appendix 2	Procurement Savings Target
Background Papers	
2011/12 Budget Booklet Medium Term Financial Strategy 2011/12 Investment Strategy CIPFA Treasury Management Code of Practice 2011/12 Procurement Strategy and Action Plan	
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