

# Executive

## 2011/12 Projected Revenue and Capital Outturn at 31 December 2011

6 February 2012

### Report of Head of Finance and Procurement

#### PURPOSE OF REPORT

This report summarises the Council's Revenue and Capital performance for the 9 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 performance and procurement action plan performance for the first 9 months of 2011/12.

|                       |
|-----------------------|
| This report is public |
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#### **Recommendations**

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The Executive is recommended to:

- (1) Note the projected revenue & capital position at December 2011.
- (2) Note the Capital Slippage of £9m from the 2011/12 capital programme as detailed in the main body of this report.
- (3) Approve the funding of £20k to the Banbury Citizens Advice Bureau Appeals per paragraph 2.9
- (4) Note the Q3 treasury performance outlined in paragraph 2.17.
- (5) Note progress against the Procurement Action plan detailed in Appendix 1 and the savings recorded in Appendix 2.

## **Executive Summary**

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### **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 Q3.
- 1.2 The revenue and capital expenditure in Q3 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 to Q3 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 December 2011 was £973k compared with a budget of £595k a variance of £378k. This is in line with expectations.
- 1.10 The Council's performance against the procurement action plan is in line with timescales and after 9 months 60% of the savings target has been achieved with the anticipated savings from the internal audit and dry waste recycling services tenders received and currently being evaluated far exceeding the annual cashable savings target of £150,000 for 2011/12.

## Background Information

### Revenue and Capital Position at 31 December 2011

- 2.1 Since the 30 September report was brought before the Executive the new Joint Management Team are all now in post and the services within the Council have been restructured to reflect this new joint team. The Revenue projections below reflect the new structure.
- 2.2 The Dashboard Revenue Report for December 2011 shows an underspend against budget of £1.2m. This differs from the projected year end position detailed below through profiling of expenditure and income
- 2.3 Total capital spend to December 2011 including commitments, amounts to £2.6m. This represents 17% of the total annual budget and 27% of the periodic budget. This is prior to adjustment for profiling and projects that are to be deferred.

### Revenue Projected Outturn 2011/12

| December 2011 PROJECTIONS                                                    | Full-<br>Year<br>Budget<br>2011/12<br>£000's | Projected<br>Out-turn<br>2011/12<br>£000's | Projection<br>Variance<br>2011/12<br>£000's |
|------------------------------------------------------------------------------|----------------------------------------------|--------------------------------------------|---------------------------------------------|
| <b>DIRECTORATES</b>                                                          |                                              |                                            |                                             |
| Community & Environment                                                      | 8471                                         | 8460                                       | -12                                         |
| Resources (incl Chief Executive)                                             | 3332                                         | 3377                                       | 45                                          |
| Development                                                                  | 4356                                         | 4356                                       | 0                                           |
| <b>Net Expenditure Services</b>                                              | <b>16160</b>                                 | <b>16193</b>                               | <b>33</b>                                   |
| <b>Increase in Investment Income</b>                                         |                                              | (266)                                      | (266)                                       |
| <b>Transfer to Reserves</b>                                                  |                                              | 233                                        | 233                                         |
|                                                                              | <b>16160</b>                                 | <b>16160</b>                               | <b>0</b>                                    |
| <b>Net Revenue Projected (under) / overspend<br/>2011/12 @ December 2011</b> |                                              |                                            | <b>0</b>                                    |

- 2.4 As detailed in the table above there is currently a projected service overspend of £33k which is offset by an increased investment income of £266k (see 2.7 below), leaving a net surplus of £233K, which is to be transferred to Reserves. This variance is within the Council's stated tolerances of +2% / -5% and will continue to be monitored on a monthly basis.
- 2.5 We are currently projecting an over recovery of interest of £266k based on interest received to December 2011, the forecasted cash flow for the remainder of the year and adjusted for the contribution from the ECO town funds which are transferred back to the ECO town investment pots.

- 2.6 **Community and Environment** currently has a projected underspend of £12k.

Environmental Services has a projected overspend of £101k. Agency costs are projected to be £62k 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. .

Community Services are projected to be £110k underspent. This is primarily due to additional car parking income of £56k and there is a projected underspend within Customer Services of £54k relating to salaries / car allowances postage and carriage.

- 2.7 **Resources** is projected to be £45k overspent.

Finance and Procurement is projecting to be overspent by £84k. There is an under recovery of court costs of approximately £100k however this is positive as the amount of debt referred to court is reducing and impacting on collection rates.

Transformation is projecting a £27k overspend. There is a £10k projected underspend in Training which offsets the projected £37k overspend within ICT services relating to unscheduled running of data lines.

These overspends are then partly offset by underspends of £56k within Law and Governance. There is additional income within land charges of £25k and underspends within Parliamentary and District elections are projected as being £31k

- 2.8 **Development** is projected to be on target.

Regeneration and Estates is projecting an under recovery of income from Castle Quay Shopping Centre of £100k, based on Q1, Q2 and Q3 rents received to date and a £16k reduction in rents from industrial units. However this is offset in part by additional income of £65k from estate shops and Banbury Rugby Club.

Within Housing, due to the current economic climate there has been a significant increase in homelessness applications resulting in a projected overspend within Bed & Breakfast accommodation of up to £53k. This is however offset by additional Housing Benefit / Rental income of £30k , a contribution from OCC of £20k, and an underspend of £35k in rent deposits.

- 2.9 A request has been received to make a contribution of £20k to the Banbury Citizens advice Bureau Capital Appeal which will support the £80k already raised to carry out a buildings refurbishment that will lead to a first class advice centre in Banbury. This can be met from existing resources.

### **Capital Projection 2011/12**

- 2.10 Total capital spend to December 2011 including commitments, amounts to £2.6m. This represents 17% of the total annual budget and 27% of the

periodic budget. This is prior to adjustment for profiling and projects that are to be deferred.

| DECEMBER 11 PROJECTIONS | Full-Year<br>Budget<br>2011/12<br>£000's | Projected                     | Projection<br>Variance<br>2011/12<br>£000's |
|-------------------------|------------------------------------------|-------------------------------|---------------------------------------------|
|                         |                                          | Out-turn<br>2011/12<br>£000's |                                             |
| <b>DIRECTORATES</b>     |                                          |                               |                                             |
| Community & Environment | 3,516                                    | 2,319                         | (1,197)                                     |
| Resources               | 672                                      | 561                           | (111)                                       |
| Development             |                                          |                               |                                             |
|                         | 11,617                                   | 3,672                         | (7,945)                                     |
|                         | <b>15,805</b>                            | <b>6,552</b>                  | <b>9,253</b>                                |

**Analysed:-**

|                                 |                |
|---------------------------------|----------------|
| <b>Net (Under) / Overspends</b> | <b>(204)</b>   |
| <b>Identified Slippage</b>      | <b>(9,049)</b> |
| <b>As above</b>                 | <b>(9,253)</b> |

2.9 The projected spend for capital schemes at Q3 taking into consideration the slippage requests is £6.5m.

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 £9m of slippage required into the 2012/13 programme. These are detailed below :-

| <b>Capital Schemes - slippage</b>                 | <b>£000's</b> |
|---------------------------------------------------|---------------|
| Circular Walks DDA Works                          | 2             |
| South West Bicester Sports Village                | 829           |
| Sports Centre Modernisation Programme             | 249           |
| Environmental Services Waste Management IT System | 1             |
| Fleet Management System                           | 28            |
| Mini MRF [Materials Recovery Facility]            | 29            |
| Financial Ledger - Agresso 5.5                    | 50            |
| Budget Module                                     | 15            |
| Core Business System Integration                  | 47            |
| Bicester Cattle Market Car Park Phase 2           | 90            |
| Bicester Pedestrianisation                        | 250           |
| Future Regeneration Schemes Preliminary Prof Fees | 7             |
| Thorpe Lane Depot Refurbishment Scheme            | 15            |
| Old Bodicote House                                | 236           |
| Bicester Town Centre Redevelopment                | 5,000         |
| Fees of Future Regeneration Schemes               | 40            |
| Access to Highfield Depot                         | 22            |
| Sanctuary Acquisition Scheme                      | 4             |

|                                                   |              |
|---------------------------------------------------|--------------|
| Bicester Acquisition 2nd Scheme                   | 20           |
| Land Claypits Lane Bicester                       | 187          |
| Purchase of Temp Acc Bryant House Bic & Edward St | 132          |
| Orchard Way Banbury Redevelopment                 | 1,100        |
| Dashwood Road                                     | 66           |
| Delegated Affordable Housing capital Pot          | 500          |
| Disabled Facilities Grants                        | 100          |
| Discretionary House Condition Grants              | 30           |
| <b>As detailed above</b>                          | <b>9,049</b> |

### **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. The joint senior management team is also now established generating further savings as salaries are lower than assumptions contained within the original business case.
- 2.14 At 31 December we are therefore projecting £432k worth of savings, which is in excess of the £333k included within the business case and built into our budget for 2011/12. The £99k additional projected savings also incorporate the impact of joint working initiatives within Health & Safety and Democracy.
- 2.15 A formal request to carry these additional savings forward to 2012/13 will be made within the Final Budget Report to Executive – 6 February 2011.

### **Efficiencies**

- 2.16 As part of the preparation of the 2012/13 budget we have secured £2m worth of budget reductions against our corporate pledge of £1m. These have been incorporated into our base budget for 2012/13 and are detailed within the Final Budget report to Executive – 6 February 2012.

### **Treasury Performance Quarter 3 2011/12**

- 2.17 The actual return on investments for the quarter to December 2011 was £973k compared with a budget of £595k giving a variance of £378k.

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

| <b>Fund</b>  | <b>Amount at<br/>31st Dec<br/>2011</b> | <b>Q3 Interest<br/>Budget<br/>YTD</b> | <b>Q3 Actual<br/>Interest<br/>YTD</b> | <b>Variance<br/>YTD</b> | <b>Annual<br/>Rate of<br/>return<br/>%</b> |
|--------------|----------------------------------------|---------------------------------------|---------------------------------------|-------------------------|--------------------------------------------|
| TUK          | 10,500,000                             | 303,208                               | 350,396                               | 47,188                  | 3.32                                       |
| Investec     | 11,548,176                             | 76,250                                | 183,630                               | 107,380                 | N/A                                        |
| In House     | 53,759,506                             | 216,090                               | 439,470                               | 223,380                 | 1.29                                       |
| <b>Total</b> | <b>75,807,683</b>                      | <b>445,838</b>                        | <b>973,497</b>                        | <b>377,949</b>          | <b>1.76</b>                                |

- 2.18 The 12 month benchmark for investment returns according to Sector is 1.34% and as illustrated, the authority outperformed the benchmark by **42 bps** primarily as a result of the longer term investments which are achieving >5% - these however are nearing maturity.
- 2.19 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.
- 2.20 After considering this we are projecting to be delivering an additional £266k of investment income compared to budget at the year end.
- 2.21 Compliance with our investment strategy and monitoring of our returns was reported to the Accounts, Audit and Risk Committee on 11<sup>th</sup> January 2012.
- 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 in March 2012.

### **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 the receipt of tenders in January for internal audit and dry waste recycling services pointing to substantial savings for the former and a complete reversal from a service currently costing approximately £55,000 p.a. to one which may net the Council a substantial and secure revenue stream for three years from 1<sup>st</sup> April 2012 for the latter.
- 2.25 Cherwell is currently undertaking amongst others the following shared procurement projects:
- Internal Audit Services and Reactive Maintenance with South Northamptonshire Council;
  - Dry Waste Recycling Services with South Northamptonshire Council and Aylesbury Vale District Council;
  - Credit checking facilities with all Oxfordshire councils and three Northamptonshire councils;
  - Traffic management services with South, Vale and West Oxfordshire districts.
  - Automated telephone car parking payment services with Oxford City and potentially South and Vale 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 £89,384 – i.e. 60% of the total at the three-quarter 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**

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- 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 3 – December 2011

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

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

### **Consultations**

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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 11 January 2012.

### **Implications**

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|-------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Financial:</b>       | <p>Financial Effects – The financial effects are as outlined in the report.</p> <p>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 2.16.</p> <p>Comments checked by Karen Muir, Corporate System Accountant 01295 221559</p> |
| <b>Legal:</b>           | <p>Presentation of this report is in line with the CIPFA Code of Practice.</p> <p>Comments checked by Comments checked by Martin Henry, Director of Resources 0300 003 0102</p>                                                                                                                                                                                                               |
| <b>Risk Management:</b> | <p>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.</p>                                                                                                                                                                                                             |

**Wards Affected**

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All

**Corporate Plan Themes**

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An Accessible and Value for Money Council

**Lead Member**

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Councillor Ken Attack  
Lead Member for Financial Management

**Document Information**

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| Appendix No                                                                                                                                                                           | Title                                                                                                                                            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| Appendix 1                                                                                                                                                                            | Progress against the 2011/12 Procurement Action Plan                                                                                             |
| Appendix 2                                                                                                                                                                            | Procurement Savings Record                                                                                                                       |
| <b>Background Papers</b>                                                                                                                                                              |                                                                                                                                                  |
| 2011/12 Budget Booklet<br>Medium Term Financial Strategy<br>2011/12 Investment Strategy<br>CIPFA Treasury Management Code of Practice<br>2011/12 Procurement Strategy and Action Plan |                                                                                                                                                  |
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