

Executive

2010/2011 End of Year Finance and Medium Term Financial Strategy Update Report

20th June 2011

Report of the Head of Finance

PURPOSE OF REPORT

This report summarises the Council's provisional Revenue and Capital performance for the financial year 2010/2011 and reports on performance against the procurement action plan. The figures are still subject to further validation work to ensure compliance with statutory requirements and proper accounting practices. The report also considers the process and timetable for refreshing our Medium Term Financial Strategy

This report is public

Recommendations

The Executive is recommended:

- 1) To note the provisional revenue out-turn position for 2010/2011 detailed in Appendix 1.
- 2) To note the continued improvement in accuracy and reliability that the Council has made in projecting the year end position through the embedding of the Corporate Dashboard.
- 3) To note the provisional capital out-turn position for 2010/2011 detailed in Appendix 2a.
- 4) To agree the balances on capital schemes which have slipped in 2010/2011 to be carried forward into the 2011/2012 capital programme as set out in Appendix 2b
- 5) To note progress against the Councils Procurement Action plan – Appendix 3 and savings achieved Appendix 4.
- 6) To note the Medium Term Financial Strategy Update.

Executive Summary

Introduction

- 1.1 Three reports relating to the 2010/11 accounts have been considered by the Executive since the budget was approved in February 2010. This End of Year Finance report details the provisional revenue and capital outturn as at Quarter 4 and also incorporates the current position of the Procurement Action Plan.

2010/11 Finance Report

Revenue Out-turn 2010/11- DRAFT

- 1.2 The provisional revenue out-turn for 2010/11 is set out in Appendix 1 and shows an overspend against budget of £58,832 which is within budget tolerances and taking into consideration the impact of IFRS adjustments is in line with Q3 projection. This can be funded from the general fund revenue reserve.
- 1.3 Appendix 1 summarises the main variances between outturn and the 2010/11 adjusted budget by directorate.

This outturn is based on the latest unaudited revenue position as at 31st May 2011 and these figures are still subject to potential change.

Capital Out-turn 2010/11

- 1.4 Appendix 2a provides the provisional capital out-turn statement for 2010/11 by scheme and directorate and shows that it is within approved budget tolerances for the year.
- 1.5 Appendix 2b provides details of the capital schemes that have incurred budget slippage.

Procurement

- 1.6 Progress against the Council's procurement action plan is detailed in Appendix 3. A record of savings achieved is detailed in Appendix 4.

Medium Term Financial Strategy

- 1.7 In finalising the budget for 2011/12 the budget book referred to a refresh of the MTFs and a plan to publish this in May 2011. Given the uncertainty about the level of local government funding from 2013/14 onwards and the outcome of phase 1 of the Local Government Resource Review will not be known until end of July 2011 we will delay the review until Q3. This review and updated forecast will then inform the 2012/13 budget process.

Conclusion

- 2.1 Our financial performance in terms of both capital and revenue within set tolerance targets is an area we can be proud of. Our performance demonstrates our ability to respond positively and actively to changing economic circumstances and deliver sizeable capital programmes and effective financial management.
- 2.2 The continued focus on monthly budget monitoring and introduction of the “dashboard” has enabled more efficient use of the Council’s resources.
- 2.3 The provisional year end revenue out-turn against budget shows the Council as being on target to achieve budget, after taking into account reallocations.
- 2.4 The variances on the revenue and capital out-turns are within the Council’s stated tolerances. Revenue out-turn was within 2% of budget and capital was within 3% of budget.
- 2.5 The General Fund reserve is adequately funded to meet the overall deficit.
- 2.6 The procurement target for securing ongoing cashable savings in 2010/11 was £225,000 and the end of year total achieved was £316,111. The full detail behind the savings can be seen in Appendix 4. This has ensured that the procurement team remains self funded for the third year running and continues to contribute to the Council’s focus on protecting frontline services.

Background Information

International Financial Reporting Standards (IFRS) – Accounting Changes 2010/11

- 3.1 Members have been informed previously that there will be significant changes to the Authority’s accounts for 2010/11. For the 2010/11 financial year there are new accounting requirements which mean that the Authority must comply with International Financial Reporting Standards (IFRS).
- 3.2 In order to make this transition we have to change the way in which a number of items are treated through the accounts and this has led to implications for the outturn.
- 3.3 What this means in practice is that a substantial piece of work has been undertaken to ensure that the accounts will be compliant. Members should note that there is no impact on the actual balances of the Authority. Further details of the impact of implementing the new standards will be reported to the Accounts Audit and Risk Committee on 22nd June 2011 when the Statement of Accounts are made available.

Budget Process 2010/11

- 3.4 The General Fund revenue and capital estimates were approved following a robust and detailed Service and Financial preparation process. Budget

guidelines were determined by the Executive and budget holders and their service accountant prepared budget working papers, in accordance with these guidelines from September 2009 to December 2009

- 3.5 Interim revenue budget reports were made to the Executive and Scrutiny between December 2009 and February 2010. The budget position was finalised and the Council Tax was set by the Council in February 2010.
- 3.6 During the course of the 2010/2011 year, a number of changes have been made to the original 2010/2011 revenue and capital budgets. The amended full-year budget represents the original budget, as approved by the Council, the addition of supplementary revenue estimates approved during the year, agreed virements to existing budgets and the utilisation of appropriate reserves.

Budget Monitoring

- 3.7 During the period May 2010 until March 2011, budget monitoring using the “financial dashboard” has taken place which has looked at variances between actual and budget.
- 3.8 As in previous years there has been a detailed focus on the importance of accurate budgeting and appropriate monitoring. This continues to be embedded throughout the Council.
- 3.9 The dashboard analyses revenue and capital by Corporate, Directorate or Service level and contains a range of cost indicators providing an easy to understand picture of the Council’s financial position. We have actively used it within 2010/11 to monitor progress against our efficiency targets and our aim is to develop this further within 2011/12 to ensure that it remains comprehensive and meets our needs for addressing all financial challenges and pressures.
- 3.10 The budget monitoring information is available to budget holders and senior management by the end of Day 1 following the period of monitoring. Budget holders then have four working days in which to analyse the data with their Service Accountant and populate their budget monitoring reports and projections. This information, with revised forecasts is then reported to CMT during Days 6-10.
- 3.11 This tool has significantly increased the Council's ability to manage day-to-day costs and is used to report quarterly to members through the quarterly Performance Management Framework.
- 3.12 The Finance Scrutiny Working Group review both Revenue and Capital Budgets throughout the year with specific emphasis on income and budget variations.

Efficiencies

- 3.13 The removal of the requirement to submit Annual Efficiency Returns through NI179 removes a minor burden but the intention is still to record and track efficiency savings across the authority as part of sound financial management as reported to members previously.

- 3.14 Planned efficiency savings from the 2010/11 budget have been achieved. The Public Promise of £800K was successfully delivered and forms a significant element of the 15% (£2.7M) reduction in our approved budget for 2011/12.

Procurement

- 3.15 Progress against the 2010/11 procurement action plan is detailed in Appendix 3.
- 3.16 Collaboration continues apace with Councils across Oxfordshire, Buckinghamshire and Northamptonshire via the Strategic Procurement Partnership for Oxfordshire, the Milton Keynes Oxfordshire and Buckinghamshire Procurement Partnership and the former members of the Northamptonshire Areas Procurement Service.
- 3.17 The following shared procurement projects have been put in place in 2010/11:
- Cleansing of public conveniences (South, Vale and West)
 - Confidential shredding (Oxfordshire County)
 - Cash collection (Countywide)
 - Cleaning materials (Northamptonshire authorities)
 - Agency staff (Countywide)
 - Treasury management (Oxford City Council)
 - Bailiff and debt recovery services (Oxford City Council).
- 3.18 Initial consultation on procurement opportunities with South Northamptonshire Council have identified 15 projects with particular focus being given to a range of property maintenance contracts, telephony maintenance, the upgrade of the financial management system, payroll and postal services. The Officer Procurement Partnership Group appointed by the Joint Arrangements Steering Group will review progress and focus on areas such as sharing best practice and the harmonisation of procurement rules and thresholds.
- 3.19 The procurement target for securing ongoing cashable savings in 2010/11 was £225,000 and the end of year total achieved was £316,111. The full detail behind the savings can be seen in Appendix 4. This has ensured that the procurement team remains self funded for the third year running.
- 3.20 Total cashable savings of £0.9m have been achieved from April 2008 to March 2011 with the cumulative cashable savings total for contracts let for more than a year over this period totalling £1.5m. Further non-cashable savings of more than £160,000 and capital savings of some £720,000 have been achieved over the same period.
- 3.21 A growing percentage of the cashable savings have been secured by including a range of initiatives within tender documents:
- Fixed pricing for the second and third year of the contract or at least fixing increases by 1% below the Consumer Price Index (CPI) in place of the previously used Retail Price Index: the current CPI is at 4.5% while RPI is at 5.2% with CPI inflation likely to rise further this year and remain above the government's 2% target.
 - Agreeing 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.
- 3.22 By involving potential suppliers in looking at where costs can be removed from operations without endangering front line services savings such as the £33,317 achieved with the insurance services tender continue to be made even after highly effective efficiencies have already been put in place.
- 3.23 These savings have resulted in budget reductions in the formulation of the 2011/12 budget and have contributed to in year cost reductions.

Medium Term Financial Strategy Update

Process Update

- 3.24 The draft 2012/13 forecast presented in Annex 3 of the 2011/12 budget book shows a savings requirement of £1.4m in 2012/13 and a cumulative target for the 4 years of £5.3m. This assumes that the Council does not rely on any investment income to balance the revenue budget and uses the provisional settlement figure for 2012/13 and then a range of assumptions.
- 3.25 The Council has pledged to reduce net expenditure by £1m by April 2012 and action plans are in place to achieve this. The Corporate Improvement programme is also considering the use of New Homes Bonus, impact of changes to setting planning fees and the use of investment income.
- 3.26 In finalising the budget for 2011/12 the budget book referred to a refresh of the MTFs and a plan to publish this in May 2011. Given the uncertainty about the level of local government funding from 2013/14 onwards and the outcome of phase 1 of the Local Government Resource Review will not be known until end of July 2011 we will delay the review until Q3. This review and updated forecast will then inform the 2012/13 budget process.

The Local Government Resource Review (LGRR)

- 3.24 The government has launched the Local Government Resources Review, which will start with a consultation on the best way to allow councils to repatriate their business rates and the extent to which local authorities should rely on central government grants.
- 3.25 The government is asking for views on the best way to balance funding between councils that would raise little income from business rates and those that would raise substantial amounts.
- 3.26 They are also consulting on ways to implement tax increment financing (TIF), which would allow councils to invest in infrastructure and other developments in their area, using funds borrowed against the likely rise in rates these developments would generate.
- 3.27 The review's terms of reference are attached in Appendix 5 and also include:

- the localisation of council tax from 2013/14, as outlined in the recent Welfare Reform Bill
- implications that the move away from central grants might have on other policies, such as the New Homes Bonus
- further scope for financial freedoms for local government; how future business rate revaluation and relief should work.

3.28 This first phase of the review will conclude in July 2011 while a second phase will be launched focusing on the rollout of community budgets.

3.29 Currently, the business rates collected locally are paid over to the government. These are then redistributed back to individual councils through the formula grant system. In 2011/12 Cherwell will collect £67m but only receive back £6.6m (<10%). Of course, in a two tier system, part of the business rate income should also benefit the County Council.

3.30 Members should be aware that the localisation of business rates is likely to be accompanied by some form of equalisation. The disparity of business rate income is so great between Councils that the Local Government Finance System would fall apart without equalisation.

3.31 The indications are that ministers want to take Councils out of taxation if possible, however any change is unlikely to be implemented until 2013/14 at the earliest.

3.32 The outcomes from the consultation and implications on Cherwell District Council funding will be considered in the MTFS update.

Key Issues for Consideration/Reasons for Decision and Options

4.1 This report illustrates the Council's provisional performance against the 2010/2011 Revenue and Capital Budget and progress achieved against our Procurement action plan and targets.

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 consider any actions arising.

Option Two To approve or reject the recommendations above.

Consultations

Not Applicable

Implications

Financial: There are no financial implications arising directly from the production of this report. It should be noted that the information in this report is in the format used for budget

monitoring purposes and, although adjustments have been made for the requirements of IFRS, it does not reflect the various accounting adjustments that are required to comply with the Statement of Recommended Practice (for example the various pension adjustments required by Financial Reporting Standard 17) nor is it in the same format as the statutory Financial Statement. It is therefore not a straightforward task to compare the figures in this report with the Council's Financial Statement for 2010/2011 because the respective reports are each designed to serve different purposes.

Efficiency Savings – There are none arising directly from this report. We monitor the progress against the Council's targets for annual efficiency savings and report performance through the Performance Management Framework.

Comments checked by Karen Muir, Corporate System Account, 01295 221559

Legal:

The Council has a duty to prepare Financial Statements by the 30th June.

Comments checked by Nigel Bell, Interim Head of Legal and Democratic Services, 01295 221687

Risk Management:

The figures in the finance report are unaudited and still subject to adjustments before submission to District Audit. If the audit subsequently identifies significant differences in the out-turn position it may be necessary to consider an alternative use of the Council's reserves.

Comments checked by Karen Muir, Corporate System Accountant 01295 221559

Wards Affected

All

Corporate Plan Themes

The Council's Budget covers all of the Corporate Plan Themes

Executive Portfolio

Councillor Ken Attack
Lead Member for Financial Management

Document Information

Appendix No	Title
Appendix 1	2010/2011 Revenue outturn.
Appendix 2a	Capital Outturn Overview
Appendix 2b	Capital Outturn Detail
Appendix 3	Procurement – action plan
Appendix 4	Procurement – savings
Appendix 5	Local Government Resource Review Terms of Reference
Background Papers	
Budget 2010/11 Local Government Settlement Statement 13th December 2010 Final thoughts on the final settlement – Looking Forward to the Local Government Finance Review (Adrian Jenkins and Neil Benn) Local Government Resource Review Consultation Paper	
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