

Executive

2010/11 Projected Revenue & Capital Outturn at 30 September 2010

1 November 2010

Report of Head of Finance

PURPOSE OF REPORT

This report summarises the Council's Revenue and Capital performance for the first 6 months of the financial year 10/11 and projections for the full 10/11 period. These are measured by the budget monitoring function and reported via the Performance Management Framework (PMF) informing the 10/11 budget process currently underway.

This report also reviews the treasury and procurement action plan performance for the first 6 months of 2010/11.

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| This report is public |
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Recommendations

The Executive is recommended:

- (1) To note the projected revenue & capital position at September 2010.
- (2) To approve the transfer of £234,000 to the organisational change reserve.
- (3) To approve the Capital Slippage of £2.2m from the 2010/11 capital programme as detailed in Appendix 1 and consider this as part of the 2011/12 budget process.
- (4) To note the Q2 performance against 2010/11 investment strategy and the mid year report in Appendix 2.
- (5) To note progress against the Procurement Action plan detailed in Appendix 3 and the savings recorded in Appendix 4.

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 and a mid year report 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 2010 was £674k compared with a budget of £673k a variance of £1k. This is in line with expectations and within budget tolerances.
- 1.10 We are projecting to be on track to deliver against the annual investment return budget at this stage.
- 1.11 The Council's performance against the procurement action plan is in line with timescales and after 6 months 69% of the savings target has been achieved.

Background Information

Revenue and Capital Position at 30 September 2010

- 2.1 The Dashboard Revenue Report for September 2010 shows an overspend against budget of £273k. This differs from the projected year end position detailed below through profiling of expenditure and income
- 2.2 Total capital spend to September 2010, including commitments, amounts to £2.2M. This represents 14% of the total annual budget and 30% of the periodic budget. This is prior to adjustment for profiling and projects that are to be deferred. (Appendix 1)

Revenue Projected Outturn 2010/11

| SEPTEMBER 2010 PROJECTIONS | Full-Year Budget | Projected Out-turn | Projection Variance |
|--|------------------|--------------------|---------------------|
| | 2010/11 | 2010/11 | 2010/11 |
| | £000's | £000's | £000's |
| DIRECTORATES | | | |
| Corporate Core | 4,751 | 4,586 | (165) |
| Environment & Community | 10,718 | 10,918 | 200 |
| Planning Housing & Economy | 5,677 | 5,551 | (126) |
| Net Expenditure Services | 21,146 | 21,055 | (91) |
| Investment Income | | 0 | 0 |
| Windfall Interest – VAT Fleming Claim | | -234 | -234 |
| Transfer to Reserves | | 234 | 234 |
| Net Revenue Projected Underspend 2010/11 @ September 2010 | | | (91) |

- 2.3 There is an overspend in Environment and Community of £200K which primarily relates to Car Park income which is currently £112k net underachieved, which projected to the year end, is £268k. Car parking income is down nationally; however, proposed changes to fees and charges have been put forward and will partly mitigate these losses if implemented.

This shortfall in income is offset by savings on maintenance of (£10k) and additional income received for Excess Charges. A vacant post and other efficiencies within Safer Communities partly help to offset this reduction in income further. And additionally within Environmental Services negotiations re gate fees have saved £10 per tonne, resulting in a saving in year of (£26k). Fuel price per litre is currently at budgeted level which means it could easily become an issue over the coming months.

Within Health & Recreation, as per the Project Agreement, CDC is responsible for any changes to NNDR compared to the level in the Base Case. This increase has been calculated at £40k for both the Interim Services Period and the Full Service Period to the end of this financial year. This additional budget pressure is offset by savings within the Museum budget.

- 2.4 The underspend in Corporate Core of £165K comprises primarily of projected underspends within Corporate training of £65K and underspends within Legal & Democratic Services of £125K which offset various other projected

overspends. The underspends within Legal and Democratic can be further analysed as £55k within Democratic Services for Vacant Posts / unpaid leave / reduced expenditure., £50K arising from the VFM review of Legal Services / / reduced Counsel fees and reduced Parish and District Election costs.

- 2.5 The underspend in Planning, Housing and Economy of £126K relates to planning fee income being significantly above estimate however this will be carefully monitored over the coming months to ascertain any impact of the economic downturn. There is a reduction in projected consultancy costs and printing within Planning Policy & Economic Development totalling £55K and further savings within Housing including £25K savings from the rent Deposit Scheme. These help to offset the impact of rental Income being short of budget by £96k mainly due to Castle Quay and a projected overspend in concessionary fares of circa £100k.
- 2.6 We are currently projecting to be in line with the investment income budget.
- 2.7 We are currently projecting an underspend of £91k at the year end. This assumes that approval is given to the transfer to reserves as detailed above. This variance is within the Council's stated tolerances of +2% / -5% and will continue to be monitored on a monthly basis.

Capital Projection 2010/11

- 2.8 Total capital spend to September 2010, including commitments, amounts to £2.2M. This represents 14% of the total annual budget and 30% of the periodic budget. This is prior to adjustment for profiling and projects that are to be deferred.

| SEPTEMBER 2010 PROJECTIONS | Full-Year Budget | Projected | Projection Variance |
|--|-------------------------|------------------|----------------------------|
| | | Out-turn | |
| | 2010/11 | 2010/11 | 2010/11 |
| | £000's | £000's | £000's |
| DIRECTORATES | | | |
| Corporate Core | 101 | 36 | (65) |
| Environment & Community | 2,619 | 1,827 | (792) |
| Planning Housing & Economy | 12,367 | 5,805 | (6,562) |
| | 15,087 | 7,668 | (7,419) |
| <u>Analysed:-</u> | | | |
| Deferrals approved September Executive | | | 4,861 |
| Deletions approved to September Executive | | | 375 |
| Additional Slippage Identified – Appendix 1 | | | 2,204 |
| Net projected under / overspends | | | (21) |
| Total | | | 7,419 |

- 2.9 The projected spend for capital schemes at Q2 taking into consideration the slippage requests is £7.7M.

- 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 identified a further £2.2M of slippage required into the 2011/12 programme. These are detailed in Appendix 1 and approval is sought for this slippage to take place,

Efficiencies

- 2.12 We have achieved good progress on achieving the budgeted commitment of reducing costs by £800k (Public Promise) by April 2011 with 65% (£522K) of the £800K secured as at the 30th September 2010.
- 2.13 Work has commenced on all of the reduction streams and we anticipate achieving the full £800k by the end of the year.

Treasury Performance Quarter 2 2010/11

- 2.14 The actual return on investments for the quarter to September 2010 was £674k compared with a budget of £673k a variance of £1k.

| 2009/10 Budget by Fund Manager | | | | | |
|---------------------------------------|--|-----------------------|-----------------------|----------------------------|---------------------------|
| Fund | | Amount Managed | Average % rate | Interest Receivable | Monthly equivalent |
| TUK | | 25,000,000 | 3.31% | 826,513 | 68,876 |
| Investec | | 20,344,000 | 1.97% | 400,000 | 33.333 |
| In House (avg) | | 15,000,000 | 0.81% | 122,240 | 10,186 |
| Total | | 60,344,000 | 2.24% | 1,348,753 | 112,396 |

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

| Fund | Amount at 30 Sept 210 | Q2 Interest Budget | Q2 Actual Interest | Variance | Annual Rate of return % |
|--------------|------------------------------|---------------------------|---------------------------|-----------------|--------------------------------|
| TUK | 25,000,000 | 413,257 | 427,521 | 14,264 | |
| Investec | 20,344,343 | 200,000 | 106,916 | -93,084 | |
| In House | 25,997,095 | 61,120 | 140,852 | 79,732 | |
| Total | 71,341,438 | 674,377 | 675,289 | 912 | 1.87 |

- 2.15 The performance is in line with expectations and within budget tolerances. We are projecting to be on track to the annual budget at this stage.
- 2.16 The mid year report contained within Appendix 2 considers the economic conditions and compliance with our annual treasury management strategy.

Progress on Procurement Action Plan

- 2.17 Progress against the Council's procurement action plan is detailed in Appendix 3.

- 2.18 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 Northamptonshire Areas Procurement Service.
- 2.19 Cherwell is currently undertaking the following shared procurement projects:
- Telephony Maintenance – two Northamptonshire Councils;
 - Cash Collection – all Oxfordshire authorities;
 - Cleaning Materials – all Oxfordshire and many Northamptonshire authorities;
 - Buildings maintenance – all Oxfordshire districts.
 - Agency staff (Countywide) – Oxford City Council in process of leading.
 - Tyres (City & CDC) – Cherwell to lead on.
- 2.20 The procurement target for securing ongoing cashable savings in 2010/11 is £225,000 and to date total savings achieved amount to £156,723 – i.e. 69.7% of the total at the mid-year mark. The full detail behind the savings can be seen in Appendix 4.
- 2.21 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.
- 2.22 These savings will result in budget reductions in the formulation of the 2011/12 budget and contribute to in year cost reductions.
- 2.23 Non cashable savings of over £28,009 have been due to the reduction in transaction costs as a result of transactions undertaken using Procurement Cards and the impact of the procurement process on our capital programme has reduced Council expenditure by circa £417,268.

Key Issues for Consideration/Reasons for Decision and Options

- 3.1 This report illustrates the Council's performance against the 2010/11 Revenue and Capital Budget and includes details of Treasury Performance as at Qtr 2 – September 2010

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

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| Option One | To review current performance levels and consider any actions arising. |
| Option Two | To approve or reject the recommendations above or request that Officers provide additional information. |
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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 2010.

Implications

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| Financial: | <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 2010/11 was based on a number of efficiencies. A number of the £800k savings will be allowable for efficiencies.</p> <p>Comments checked by Karen Muir, Corporate System Accountant 01295 221559</p> |
| Legal: | <p>Presentation of this report is in line with the CIPFA Code of Practice.</p> <p>Comments checked by Nigel Bell, Head of Legal and Democratic Services 01295 221686</p> |
| Risk Management: | <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> <p>Comments checked by Rosemary Watts, Insurance and Risk Manager, 01295 221566.</p> |

Wards Affected

All

Corporate Plan Themes

An Accessible and Value for Money Council

Executive Portfolio

Councillor James Macnamara
Portfolio Holder for Resources

Document Information

| Appendix No | Title |
|---|--|
| Appendix 1 | Capital Programme Slippage Request 2010/11 |
| Appendix 2 | Treasury Mid Year Report |
| Appendix 3 | Progress against the 2010/11 Procurement Action Plan |
| Appendix 4 | Procurement Savings Target |
| Background Papers | |
| 2010/11 Budget Booklet Medium Term Financial Strategy 2010/11 Investment Strategy CIPFA Treasury Management Code of Practice 2010/11 Procurement Strategy and Action Plan | |
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