

# Executive

## 2010/11 Projected Revenue & Capital Outturn at 31 December 2010

7 February 2011

### Report of Head of Finance

#### PURPOSE OF REPORT

This report summarises the Council's Revenue and Capital performance for the first 9 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 considers progress against the 20010/11 Corporate Procurement Action Plan which contributes to our annual efficiency target.

This report is public
-----------------------

#### Recommendations

---

The Executive is recommended:

- 1) To note the projected revenue & capital position at December 2010.
- 2) To approve the changes in the 2010/11 capital programme as follows:
  - Slip an additional £2,072K of project funding into the 2011/12 capital programme (detailed in main body of report below) and consider this as part of the 2011/12 budget process
  - Approve the supplementary estimate of £45,000 for implementing the changes due to car parking proposals (detailed in Appendix 3)
- 3) To note the contents and the progress against the Corporate Procurement action Plan (detailed in Appendix 1) and the Procurement savings achieved at December 2010 (detailed in Appendix 2).
- 4) To approve the transfer of projected service underspends to reserves to facilitate the funding of SNC joint working implementation costs and replenishment of the planning control reserve.
- 5) .To approve the transfer of the windfall interest received in respect of the Councils VAT Fleming case to the Organisational change reserve.

## 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 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 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.
- 1.4 The variances on the revenue and capital projections are within the Council's stated tolerances of +2% / -5%. The Council has a General Fund Revenue reserve to meet any budgetary surplus or deficit.

### Background Information

---

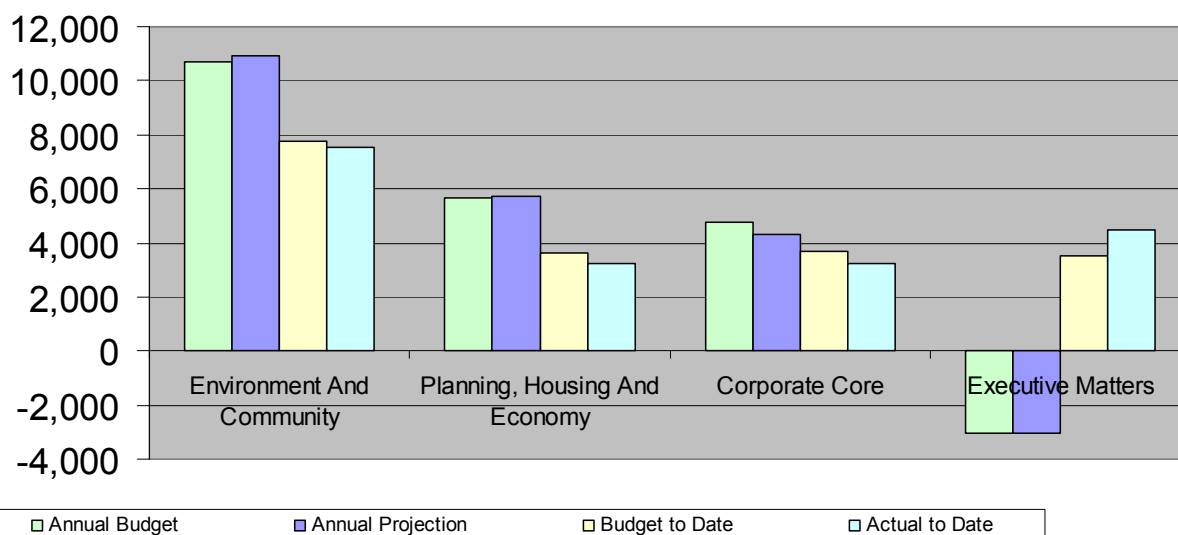
#### Revenue and Capital Position at 31<sup>st</sup> December 2010

- 2.1 The Dashboard Revenue Report for December 2010 shows an underspend against budget of £64K. This differs from the projected year end position detailed below through profiling of expenditure and income.
- 2.2 Total capital spend to December 2010, including commitments, amounts to £2.9M. This represents 20% of the total annual budget and 29% of the periodic budget. This is prior to adjustment for profiling and projects that are to be deferred.

#### Revenue Projected Outturn 2010/11

DECEMBER 2010 PROJECTIONS	Full- Year Budget 2010/11 £000's	Projected Out-turn 2010/11 £000's	Projection Variance 2010/11 £000's
<b>DIRECTORATES</b>			
Corporate Core	4,751	4,326	<b>(425)</b>
Environment & Community	10,710	10,905	<b>195</b>
Planning Housing & Economy	5,683	5,544	<b>(139)</b>
<b>Net Expenditure Services</b>	<b>21,144</b>	<b>20,775</b>	<b>(369)</b>
<b>Review and transfer to reserves</b>		<b>369</b>	<b>369</b>
	<b>21,144</b>	<b>21,144</b>	<b>0</b>
<b>Net Revenue Projected Underspend 2010/11 @ December 2010</b>			<b>0</b>

## Projected Year End Revenue Financial Performance £000's



- 2.3 We are currently projecting to be on track to budget at the year end. This assumes the approval of the transfer of Service underspends to a specific reserve to facilitate the funding of SNC joint working implementation costs
- 2.4 The overspend of £195K within **Environment & Community** primarily relates to the under recovery of Car park Income. Car parking income is down nationally; and approved changes to fees and charges do not take effect until April 2011. The impact of this is offset by various savings throughout the directorate specifically within Customer Service and Information Systems in both vacancies and cost reductions and savings and within Environmental Services in both gate fees and OCC fees.
- 2.5 The underspend of £139K within **Planning Housing & Economy** comprises of cost reductions within PHE Admin for software, consultancy and equipment. There are also reductions in expenditure for consultancy printing and counsel fees within Planning Policy and Economic Development. An increase in planning fee income helps to offset the under recovery of rental income from voids at Castle Quay Shopping centre. Savings within Housing from the Rent Deposit Scheme, management fees and salary savings help to offset significant overspends within the Concessionary Fares Scheme arising through increased demand.
- 2.6 The underspend within **Corporate Core** of £425K comprises of projected savings within the Corporate Training budget, reduced expenditure within Housing Benefits and increased overpayments recovered. Additionally within Legal & Democratic services there are savings within the Audit Services contract and Democracy. The value for money review of legal services has also provided cost savings within the Corporate Core.

## Treasury Performance Quarter 3 2010/11

2.8 The actual return on investments for the quarter to December 2010 was £1,035k compared with a budget of £1,012k however we have calculated that £78k of the interest accrued relates to investments made utilising Eco Town funding. This interest will be ring fenced for Eco Town expenditure.

2.9 The budget was split as follows:

### 2010/11 Budget by Fund Manager

Fund	Amount Managed	Average % rate	Interest Receivable	Monthly equivalent
TUK	25,000,000	3.31%	826,513	68,876
Investec	20,344,369	1.97%	400,000	33,333
In House (average)	15,000,000	0.81%	122,240	10,186
<b>Total</b>	<b>60,344,369</b>	<b>2.24%</b>	<b>1,348,753</b>	<b>112,396</b>

2.10 The actual return for the 9 months ended December 2010 is:

Fund	Amount at 31 <sup>st</sup> December 2010	Interest Budget	Actual Interest	Variance	Rate of return %
TUK	25,000,000	619,884	618,972	-912	3.68
Investec	20,344,369	300,000	181,327	-118,673	1.04
In House	32,641,150	91,680	231,837	140,157	1.10
<b>Total</b>	<b>77,985,519</b>	<b>1,011,564</b>	<b>1,032,136</b>	<b>20,572</b>	<b>1.88</b>

2.11 These are the new loans agreed and matured during Qtr 3

### Deposits Agreed

Fund	Institution	Date	Amount £s	Interest £s
TUK	Nationwide BS	02/09/10	3.0m	26,182
TUK	Lloyds	02/09/10	1.5m	28,500
TUK	Bank of Scotland	17/11/10	2.5m	,61,250

### Loans Maturing

Fund	Lent To	Date	Amount £s	Interest £s
TUK	Santander	02/09/10	4.5m	15,410
TUK	Bank of Scotland	17/11/10	2.5m	16,383
In House	Kent Reliance BS	17/09/10	1.0m	5,104
In House	Nottingham BS	17/09/10	1.0m	5,326

2.12 The Accounts, Audit and Risk Committee receive regular reports on performance and compliance with the annual investment strategy.

### **Icelandic Investments**

2.13 We produced our claim in relation to our investments with the failed Icelandic Bank Glitnir and this has been considered by the winding up board.

- 2.14 The winding up board of the bank has not accepted the claim as a priority creditor and as such any unsecured claim might only return 29% of the principle.
- 2.15 Local authorities' objections will now be considered under the processes followed under Icelandic insolvency law, and written submissions were filed in September 2010. Glitnir test cases, including ours, are scheduled to be heard 14th to 17th March 2011.
- 2.16 In late October 2010 the Council made a request to the government to capitalise the impairment loss of £4.615m which we had invested in Iceland's Glitnir bank. In early December we had confirmation that the government has agreed that £3.231m can be treated as capital expenditure and spread the cost over 20 years. Therefore this will reduce the capital receipts by £3.231m in 2010/11 but will be replenished by £0.16m each year from revenue over the 20 year cycle.
- 2.17 The remaining impairment loss of £1.384m will have to be charged in its entirety to the General Fund reserve in 2010/11 as the rules state that any losses need to be realised in the year to which they relate. This is a better position for the Council than we had originally planned for as it puts less pressure on our revenue finances.
- 2.18 However, this is purely an accounting requirement and does not mean that the deposits are lost. The Council continues to work with Bevan Brittan and LGA to seek full recovery of the £6.5m invested. Should the deposits be repaid in full as priority creditor status then the accounting entries would be reversed.

#### Capital Projection 2010/11

- 2.19 Total capital spend to December 2010, including commitments, amounts to £2.9M. This represents 20% of the total annual budget and 29% of the periodic budget. This is prior to adjustment for profiling and projects that are to be deferred.

<b>DECEMBER 2010 PROJECTIONS</b>	<b>Full-Year Budget</b>	<b>Projected Out-turn</b>	<b>Projection Variance</b>
	<b>2010/11</b>	<b>2010/11</b>	<b>2010/11</b>
<b>DIRECTORATES</b>	£000's	£000's	£000's
Corporate Core	101	36	<b>(65)</b>
Environment & Community	2,599	1,837	(762)
Planning Housing & Economy	12,367	3,709	<b>(8,658)</b>
	<b>15,067</b>	<b>5,582</b>	<b>(9,485)</b>
<b>Analysed:-</b>			
<b>Slippage approved September Executive</b>			<b>4,861</b>
<b>Deletions approved September Executive</b>			<b>375</b>
<b>Slippage Approved November Executive</b>			<b>2,204</b>
<b>Additional Slippage identified November (See below)</b>			<b>333</b>
<b>Additional Slippage identified December (See below)</b>			<b>1739</b>
<b>Net projected under / (overspend) on slippage</b>			<b>(27)</b>
		<b>As above</b>	<b>9,485</b>

2.20 The projected spend for capital schemes as at December 2010 is £5.6M.

2.21 Approval is sought for slippage of the following projects into the 2011/12 capital programme.

<b>Project Code</b>	<b>DESCRIPTION</b>	<b>ANNUAL BUDGET £000</b>	<b>Slippage Already Approved £000</b>	<b>Additional Slippage Requiring Approval £000</b>
PHEE002	Banbury Pedestrianisation	320	20	60
PHEE008	Future Regeneration Schemes	100	50	50
PHEE011	Bicester Town Centre Redevelopment Scheme	40	0	15
PHEE019	Old Bodicote House	871	371	450
PHEE020	Bicester Town Centre Redevelopment	5000	4000	1000
PHEH024	Purchase of Temp Acc Bryant House & Edward St	660	330	165
PHEH022	Banbury Foyer & Banbury Youth Hub	169	0	68
PHEE012	Thorpe Lane Depot Refurbishment Scheme	1,113	50	134
PHEH005	Disable Facilities Grants	575	0	100
PHEH015	Discretionary Grants for Domestic Properties	427	0	30
		<b>9,275</b>	<b>4,821</b>	<b>2,072</b>

2.22 In relation to the scrutiny of fees and charges as part of the budget 2011/12 process a supplementary capital estimate of £45,000 is requested to undertake access improvement works to car park ticket machines; and to install/update signage to enable implementation of the car parking proposals agreed as part of the MTFs, particularly with regard to implementing blue badge holder charges; evening charges; changes to long stay/short stay parking in Bicester. This is detailed in Appendix 3.

### **Efficiencies**

2.23 Efficiencies and progress on achieving the budgeted commitment of £800k in 2010/11 is now incorporated into the CMT Dashboard. At 30<sup>th</sup> November 100% of the £800K had been secured and built into the Council's budget for 2011/12.

### **Movement on Reserves**

2.24 It is requested that projected under spends within the Service areas (as reported above) are transferred to reserves to partially fund the SNDC joint working implementation costs and the replenishment of the planning control reserve.

2.25 We have received confirmation of the second stage of our Fleming VAT claim in respect of "Sporting Services". We will be receiving £464K of VAT refunded to us and it is anticipated that attributed to this could be up to £450k of additional windfall interest. It is therefore requested that this windfall interest be transferred to the Corporate Change Reserve. (as per previous amounts received)

2.26 Reserves will be reviewed as part of the 2011/12 budget process and 2010/11 year end process. A separate and comprehensive report on the

Council's reserves will be reported to the Executive for approval in March 2011.

### **Procurement Action Plan and Record of Savings 2010/11**

- 2.27 Progress against the Council's procurement action plan is detailed in Appendix 1 with a record of savings achieved to December 2010 detailed in Appendix 2.
- 2.28 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.
- 2.29 Cherwell is currently undertaking the following shared procurement projects:
- Cash Collection – just awarded;
  - Cleaning Materials – all Oxfordshire and many Northamptonshire authorities;
  - Buildings maintenance – sharing of information.
  - Agency staff (Countywide) – just awarded.
  - Tyres (City & CDC) – Cherwell to lead on from February 2011.
- 2.30 The procurement target for securing ongoing cashable savings in 2010/11 is £225,000 and to date total savings achieved amount to £266,263 – i.e. 118% of the total at the Q3 year mark. Particularly highlights in Q3 have been the letting of the first combined voice (telephones) and data (internet/broadband) contract resulting in a £60,000 saving, the re-tendered cash collection contract which has resulted in savings of over £7000 and a willingness to work with the new self-service payment kiosks and a further £9000 saving on bedding plants. The full detail behind the savings can be seen in Appendix 2.
- 2.31 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.
- 2.32 These savings will result in budget reductions in the formulation of the 2011/12 budget and contribute to in year cost reductions.
- 2.33 Non cashable savings of over £52,274 have been due to:
- Hosted Payments Solution – negotiating a further £5199 of reductions in additional items such as the ability to add a surcharge to credit and debit cards payments;
  - Self-Service Payment Kiosks – negotiating bulk and payment up front discounts of £9594 for the self-service payment kiosks;
  - Transactions undertaken using Procurement Cards;
  - The impact of the procurement process on our capital programme which has reduced Council expenditure by circa £419,268.

- 2.34 A Contract Cost Reduction Programme is under way with one strand seeking further reductions from existing contracts – by reviewing how the scope of the contract can be reduced without affecting customer service levels – and the second identifying those lower areas of expenditure (£5,000 upwards) where a brief invitation to quote exercise setting up a contract for between one to three years can result in further savings and more favourable terms.

### **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 the latest update against the 2010/11 Corporate Procurement Action Plan.

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 is reported to the Accounts, Audit and Risk Committee.

### **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 2010/11 and 2011/12 have been based on a number of efficiencies and a public promise of £800K. These have been successfully achieved.  
Comments checked by Eric Meadows, Service Accountant 01295 221552
- Legal:** Presentation of this report is in line with the CIPFA Code of Practice.  
Comments checked by Liz Howlett, Head of Legal and Democratic Services 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 Eric Meadows, Service Accountant, 01295 221552.

**Wards Affected**

---

All

**Corporate Plan Themes**

---

An Accessible and Value for Money Council

**Executive Portfolio**

---

Councillor James Macnamara  
Portfolio Holder for Resources and Communication

**Document Information**

---

<b>Appendix No</b>	<b>Title</b>
Appendix 1	Procurement Action Plan 2010/11
Appendix 2	Procurement Savings
<b>Background Papers</b>	
2010/11 Budget Booklet 2010/11 Capital Asset Strategy Medium Term Financial Strategy 2010/11 Investment Strategy CIPFA Treasury Management Code of Practice Q3 Sector Treasury Update	
<b>Report Author</b>	Karen Curtin, Head of Finance Karen Muir, Corporate System Accountant
<b>Contact Information</b>	01295 221551 <a href="mailto:karen.curtin@cherwell-dc.gov.uk">karen.curtin@cherwell-dc.gov.uk</a>