REVENUE AND CAPITAL BUDGET MONITORING REPORT – TO END DECEMBER 2009 (P09)

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1. Purpose

1.1 To advise Audit Committee of the forecast outturn position for the General Fund, Housing Revenue Account (HRA) and the Collection Fund, at the end of December 2009.

1.2 To advise Audit Committee of the forecast outturn position for the Capital Programme, at the end of July 2009, and programme slippage brought forward from 2008/09 into the 2009/10 Capital Programme monitor.

1.3 To advise Audit Committee of the risks affecting the forecasts.

2. Recommendations

2.1 That the forecast outturn positions reported by Directorates be noted.

2.2 That the identified risks and areas of concern be noted. Note also that these risks and concerns reflect the views of the Corporate Director of Finance and Risk Management and other Corporate Directors.

2.3 That these risks be monitored closely and effectively managed by the Corporate Leadership Team to ensure the Council manages its spending within the approved budget.

2.4 That the expenditure to date, projected outturn and funding position for the 2009/10 capital programme be noted.

3. Summary

3.1 In the current financial circumstances it is particularly important that the Council should maintain an effective budget management process, including detailed monthly budget monitoring reports, with a view to controlling and countering budget pressures and delivering a budget underspend that will restore general fund balances to an acceptable level.

3.2 The revenue position at the end of December again shows a slight improvement on the position reported to Cabinet in January for Month 8. The projected under spend is now forecast to be £2.369m, an improvement of £4.179m from the original budget position agreed by the Council in February 2009. The major variances in Period 9 are detailed in paragraph 3.7 of this report.

3.3 This is a critical point in the financial year, as the figures reported here are used elsewhere on this agenda as part of the Budget 2010/11 and Medium Term Financial Planning reports. Corporate Leadership Team has underlined throughout the budget process the importance of delivering all the in-year savings previously identified, securing further savings if at all possible and ensuring an accurate outturn forecast.

3.4 The relatively minor overall movement tends to indicate that this is being achieved, albeit with the caveat that significant movements have been identified within individual services as a result of the reviews of budgets undertaken as part of the creation of the 2010/11 budget.

3.5 The Corporate Director of Finance and Risk Management has also reiterated to finance staff the need to ensure that the position reflected within this report should be as accurate a reflection of the outturn position as is possible. While it is always possible that there will be variations in the final quarter of the year, all processes have been followed to ensure that the risks of major variations to the outturn are minimised.

3.6 The overall impact of the current outturn forecast on the projected General Fund balance would be to produce a closing position of £7.053m at 31st March 2010, which is below the previously agreed level of £8m; however this target level of balances is being reviewed elsewhere on this agenda. As such this projected closing balance is considered acceptable at this stage.

3.7 There has been no significant change in the capital programme position reported to Cabinet on 26 January. However, a number of capital variations were agreed by the Cabinet in January and those changes are reflected in this period.

3.8 As was expected, now that the changes brought about in the capital approval process have become established, the forecast outturn is now showing an underspend of £0.519m compared with the latest spend approval. Members are again reminded that the Capital Update Report, which is a separate report on this agenda, will also provide an update to this position.

REVENUE

4. General Fund Revenue Period 9 monitor

4.1 Table 1 below shows the forecast revenue outturn figures reported by the Directorates at the end of December 2009 as being an underspend of £2,369k against the revised budget.

4.2 **Table 1: Projected Outturn as at December 2009**

	Revised budget (1) £'000	Forecast Outturn £'000	Projected variation £'000
CYPS (Non-Schools)	64,576	64,899	323
Environment	56,804	55,092	(1,712)
Community Wellbeing	65,990	63,329	(2,661)
Chief Executive	(44)	260	304
Finance & Risk Management	2,627	1,805	(822)
Strategy & Partnership	8,014	7,796	(218)
Net Operating Expenditure	**197,967**	**193,181**	**(4,786)**
Corporate Items			
Efficiencies (2)	(1,878)	0	1,878
Levies	411	411	0
Debt Financing and Interest Charges	19,052	18,201	(851)
Asset Rentals	(28,925)	(28,925)	0
Projected outturn position	**186,627**	**182,868**	**(3,759)**
Resources			
NNDR/RSG	(84,370)	(84,370)	0
Area Based Grant	(10,448)	(10,448)	0
Council Tax	(88,381)	(88,381)	0
Deficit on Council Tax	420	0	(420)
Reserves - Earmarked	(1,000)	(1,000)	0
Reserves - LABGI	(1,038)	(1,038)	0
Total Resources available	**(184,817)**	**(185,237)**	**(420)**
(Addition)/Reduction in General Fund	**1,810**	**(2,369)**	**(4,179)**

Notes:
1) Budget includes allocation of £1,038k for schemes to be funded from LABGI reserve.
2) The original efficiencies target agreed in the budget has been reduced to account for the lower actual pay award than was anticipated at the time the budget was agreed.

4.3 The Period 7 Cabinet report recognised that Directorates could deliver efficiency savings in excess of £8m but that this would not fully address the underlying overspend reported at that time of £3,780k and the savings target of £7,000k. The report reflected Corporate Leadership Team's discussion around the level of savings that could be delivered in the remainder of the year. It was agreed that a realistic figure of a further £400k could be achieved but that this would not fully eliminate both the underlying pressures and the target savings and as a consequence there was a shortfall of around £2,800k.

4.4 Table 1 shows the resourcing side of the Council's finances and reflects the fact that we are no longer planning to draw £1,812k from reserves as a result of the in-year savings identified by directorates. It is important that we monitor the entire budget to ensure that the mistakes identified in 2008/09 are not repeated and that all efficiencies and resources are also monitored.

Significant Variances

4.5 Table 2 below analyses the directorate projections for period 9 and shows where the movements have occurred.

Table 2: Analysis of projected Directorate variances at P8 and P9

Projected Directorate variances for the year ending 31st March 2010	Revised Variance Period 8	Variance Period 9	Movement P8 to P9
	Variance if identified in-year savings achieved £'000	Variance if identified in-year savings achieved £'000	Variance if identified in-year savings achieved £'000
Children and Young People's Services	21	323	302
Environment	(1,665)	(1,712)	(47)
Community Wellbeing	(2,337)	(2,661)	(324)
Chief Executive's Office	304	304	0
Finance & Risk Management	(813)	(822)	(9)
Strategy & Partnership	(216)	(218)	(2)
Total directorate including savings	**(4,706)**	**(4,786)**	**(80)**

4.6 There are many minor variations in the directorate forecasts seen at P9 but these are of the type usually seen in Budget Monitoring reports at this time of year.

4.7 The two directorates that have seen significant change in P9 are the Children and Young People's Service and Community Wellbeing.

- The £302k variation on the Children and Young People's Service is due to an increase in Children's Social Care payments of £538k and a further reduction in forecast income (£88k) on the Youth Offending Team, offset by an amount of (£318k) which reflects expenditure now being met by government grant;
- The (£324k) variation on Community Wellbeing is mainly due to a favourable decision regarding continuing health care funding, which has

been backdated (£255k), and a further (£70k) relating to a delay in implementation of Health Action Teams.

4.8 **Annex A** gives a detailed analysis by directorate of the variances in comparison with the budget and sets out the significant risks identified for each directorate. These risks apply both to the services provided and the efficiency savings identified within each directorate.

Savings Programme

4.9 At period 9, the savings identified by the directorates stands at £8,467k. This position is shown in Table 3 below.

Table 3: Savings by Directorate

Projected Directorate variances at 31st March 2010	**Total Projected Savings £'000**
Children and Young People	(3,082)
Environment	(1,712)
Community Wellbeing	(2,697)
Chief Executive's Office	0
Finance & Risk Management	(764)
Strategy & Partnership	(212)
Directorate total	**(8,467)**

4.10 As reported at P8, there is a saving of £1,500k within CYPS which is high risk in terms of its deliverability. This was the subject of a further report considered by the Cabinet at the meeting held on 24 November which updated members on the current position. The Corporate Director of Finance and Risk Management is of the view that this should remain in the forecast but also be reflected as a potential draw on General Fund balances if the saving cannot be delivered. (See paragraph 3.13 below).

Impact on General Fund Balances

4.11 The summarised position on General Fund balances set out in table 4 reflects the position at Period 9 of a projected underspend of £2,369k. This would produce a closing General Fund position of £7,053k at 31st March 2010, which is below the minimum agreed level of £8m.

4.12 This remains a very serious potential position in the context of the minimum approved level of balances. It is vital that savings identified, to date are implemented and delivered in order to restore the General Fund reserves to an acceptable level.

4.13 Table 4 below summarises the General Fund balances.

Table 4: General Fund Balance 2009-10

	Outturn £'000
General Fund balance at 1st April 2009	**7,461**
P9 Forecast Addition to General Fund 2009/10	2,369
Balances transferred in from Earmarked Reserves	1,283
Planned use of Earmarked Reserves	(1,000)
Potential non-delivery of a high risk saving	(1,500)
Transfer to Value for Money fund	(1,560)
Estimated General Fund Balance at 31st March 2010	**7,053**

Collection Fund

4.14 The forecast position for 2009/10 is that the collection fund will see a surplus overall, which is reflected in the Budget 2010/11 report elsewhere on this agenda. In line with our agreed financial principles this will be transferred to fund one-off items of expenditure or capital.

Housing Revenue Account

4.15 The P9 projected outturn position for the HRA shows an overspend of £1,138k, which is a £412k improvement since P8. The main elements of this improvement are:

- Reviews during this year have indicated that there will be net surpluses of (£155k) on insurance premiums (dwelling and employee) and office utilities budgets. Both budgets were originally set high at the beginning of the year due to uncertainties in those areas (future year budgets have been amended accordingly, reflecting latest reviews).
- (£77k) under spend on utility budgets within Special Services;
- (£60k) underspend due to an expected reduction bad debt provision in respect of the leasehold TV aerial installation programme due to a delay to the start of works (£40k) and a further (£20k) in respect of rents due to increase in benefits payments and collection efficiencies;
- (£113k) encompassing numerous small value underspends across the service including (£23k) underspend on insurance due to a fall in claims; and
- Provision for bad debts have been reduced by (£47k) due to further increases in housing benefit payments.

4.16 **Annex B** provides a more detailed analysis of projected budget variances against Revised Budget for the HRA.

4.17 The outturn data indicates that the HRA will have a balance on reserves of (£4,729k) surplus as at the 31st March 2010.

4.18 Table 5 below summarises the HRA provisional outturn position.

Table 5: HRA Outturn Summary

	Revised 2009-10 Budget £'000	Provisional Outturn £'000	Variance £'000	Movement Period 9 £'000
Uncommitted reserve b/f	(5,026)	(6,092)	(1,066)	0
Net (surplus)/deficit in year	(841)	(1,363)	(2,204)	(412)
Uncommitted reserve b/f	**(5,867)**	**(4,729)**	**1,138**	**(412)**
Prudent minimum HRA level	**(2,400)**	**(2,400)**		

Dedicated School Grant

4.19 At Period 9 the projected position is that there will be an in-year surplus of £714k in 2009-10. This is an improvement of £225k from the position reported in Period 8 (£489k). An analysis of the variances is included at **Annex C**.

CAPITAL

5. Capital Period 9 monitor

5.1 A new capital programme process was agreed by Cabinet on the 22nd November 2009. This report monitors against spend approval of £95.272m as identified in the P8 Capital Programme Update Report.

5.2 At the end of December the forecast outturn is £94.753m, an under-spend of £0.519m against the latest spend approval. The summarised data is represented in Table 1 below.

Table 1: Summary of capital spend approval and forecasts as at 31st December 2009

Directorate	Latest Spend Approval	Forecast Outturn	Variation (Under)/ Over spend	Slippage to future years
	£m	£m	£m	£m
Children & Young People's Service	39.002	41.423	2.421	7.863
Environment	23.314	20.865	(2.449)	4.211
Finance & Risk Management	1.501	1.401	(0.100)	0.010
Community Wellbeing GF	15.985	15.495	(0.490)	1.642
Community Wellbeing HRA	15.470	15.569	0.099	0.015
Total	**95.272**	**94.753**	**(0.519)**	**13.741**

5.3 The forecast underspend in the current year largely is a result of slippage to future years and outstanding spend approval on existing schemes. The majority of any outstanding funding issues will be clarified in the Period 9 Capital Programme Update Report.

5.4 **Annex D** shows the current forecast position on all schemes compared to the Spend Approval granted in the Period 8 Capital Programme Update report. Where spend approval has been deferred pending funding clarification, schemes have been given an amber status. Where schemes are on target, or variances will be addressed in future months by the Period 9 Capital Programme Update report schemes have been identified by having a green status.

Directorate Variations

5.5 **Children & Young People's Service**.

The current forecast is £41.423m, £2.421m over the current spend approval. Of the 31 schemes for Children & Young People's Service, 1 has been coded with a RAG status of red, 3 amber and 27 green.

Oakgrove Secondary School – there are a number of phases being completed. Phase 2 – delay on spend approval is due to problems around the BREEAM funding. Phase 3 – spend approval is being requested in the P9 Capital Programme Update Report for £2.677m.

5.6 **Environment**

The current forecast is £20.865m, (£2.449m) below the current spend approval. Of the 35 schemes for Environment, 4 have been coded with a RAG status of amber and 31 green. Junction 14, which has previously reported as having a RAG status of red, has now been given a green rating as a result of the decisions taken at the Cabinet meeting held on 26 January.

5.7 **Finance & Risk Management**

The current forecast is £1.401m, (£100k) below the current spend approval. Of the 13 schemes, 2 schemes have been coded with a RAG status of amber and 11 green.

5.8 **Community Wellbeing (GF)**

The current forecast is £15.495m, (£490K) below the current spend approval. Of the 25 schemes, 3 schemes have been coded with a RAG status of red, 2 amber and 20 green.

Re-development of Calverton Traveller's Site & Beanhill Children's Centre – Both of these schemes are subject to ongoing discussions regarding tendering issues.

Tattenhoe Pavilion – The corrective works that are required in respect of the roof have commenced. It is planned to fund this work through top-slicing the 2010/11 capital programme.

Community Wellbeing (HRA)

The current forecast is £15.569m, £99k over the current spend approval. Of the 9 schemes, all the schemes have been coded with a RAG status of green.

6. **Implications**

6.1 Policy

The recommendations of this report are consistent with the Council's Revenue and Capital Strategies.

6.2 Resources and Risk

The minimum targeted level of General Fund reserves is £8 million. Where risks are known they are listed in **Annex A**.

Capital implications are fully considered throughout the report. Revenue implications may arise from capital schemes in respect of:

a) Borrowing to fund capital expenditure (principal and interest),

b) Running costs associated with capital schemes, and

c) Efficiency savings (e.g. reduced maintenance costs).

These are built into the Council's debt financing and other revenue budgets as appropriate through the Medium Term Planning process.

Y	Capital	Y	Revenue	N	Accommodation
N	IT	Y	Medium Term Plan	Y	Asset Management

6.3 Carbon and Energy Management

All capital schemes consider Carbon and Energy Management implications at the capital appraisal stage before they are added to the capital programme. There are no further implications as a result of this report.

6.4 Legal

Legal implications may arise in relation to specific capital schemes. In particular a capital scheme may be needed to meet a specific legal requirement. These implications are addressed in the individual project appraisals.

There are no significant legal implications arising as a result of this report.

6.5 Other Implications

All implications are outlined within the report.

N	Equalities / Diversity	Y	Sustainability	N	Human Rights
N	E-Government	N	Stakeholders	N	Crime and Disorder
N	Carbon and Energy Policy				

Background Papers: Officer Working Papers, report to all Members

Previous reports to both Cabinet and Council as mentioned within the body of the report