

REVENUE AND CAPITAL BUDGET MONITORING REPORT – TO END FEBRUARY 2010 (P11)

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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 February 2010.
- 1.2 To advise Audit Committee of the forecast outturn position for the Capital Programme, at the end of February 2010.
- 1.3 To advise Audit Committee of the risks affecting the forecasts.
- 1.4 To advise Cabinet of the Establishment reporting that will be introduced with effect from 1 April 2010.

2. Recommendation(s)

- 2.1 That the forecast outturn positions reported by Directorates be noted.
- 2.2 To note that the Revenue forecast of £2.011m underspend is lower than reported at P10 by £0.421m. This figure however takes into consideration carry forward of one-off and project expenditure totalling £1.9m into next financial year. The Corporate Director Finance and Risk Management has agreed these, subject to the proposed Budget Rollover Reserve mechanism being introduced which is explained in paragraph 3.12
- 2.3 That the expenditure to date, projected outturn and funding position for the 2009/10 capital programme be noted.

3. Summary

This report consists of 3 key sections, these sections are summarised below indicating where in the report the information can be found:

Revenue: Section 4, details can be found on pages 3 to 7

Capital: Section 5, details can be found on pages 8 to 10

Establishment: Section 6, details can be found on pages 11 to 12

- 3.1 The trends in February are similar to those reported in Months 9 and 10 in that most areas show an improvement.
- 3.2 Preparations and planning are now underway for the annual close-down of the accounts and implications of reporting the Council's resource and capital spending for 2009/10 financial year in accordance with the new International Financial Reporting Standards (IFRS). Most of the expenditure should be known and will therefore be reflected in the forecast position outlined within this report.
- 3.3 The projected General Fund revenue underspend is now forecast to be £2.011m, which takes account of budget rollover requests amounting to £1.946m. The Corporate Director Finance & Risk Management has agreed these rollovers subject to the revised Budget Rollover mechanism. This represents only a slight deterioration of £0.421m since the period 10 monitor report.
- 3.4 The overall impact of these changes on the projected General Fund balance would be to produce a closing position of £6.945m at 31st March 2010. This figure takes account of the £1.946m budget rollovers into 2010/11, which are largely due to delays in the timing of committed expenditure. This is only marginally below the minimum level of £7m recommended by the Corporate Director of Finance and Risk Management in February as part of the Budget Report 2010/11.
- 3.5 The overspend on the HRA has increased to £0.828m, an increase of £0.107m since Month 10, with a projected balance at the end of March 2010 of £5.039m. This level is more than double the prudent minimum HRA level of £2.4m.
- 3.6 The Dedicated Schools Grant sector is projecting an underspend of £0.557m, a reduction of £0.268m since Month 10.
- 3.7 That there has been no significant change compared to P10 in the capital programme position previously reported to Cabinet. The forecast outturn is £94.246m, an over-spend of £0.522m against the latest spend approval.

Corporate Leadership Team [CLT] view on P11 Monitoring

- 3.8 CLT is pleased that the rigorous approach to budget monitoring through the year has kept the Council's expenditure within budget and ensured the delivery of the substantial in-year savings package identified earlier in the year
- 3.9 CLT have a high degree of confidence that the forecast outturn will be close to the actual outturn although there are inevitably some risks that remain and which we will continue to monitor closely
- 3.10 There are several examples of one-off committed revenue expenditure totalling £1.946m that remains unspent in-year and which we have agreed should be rolled forward to next financial year 2010/11, via a Budget Rollover Reserve.

REVENUE

4. General Fund Revenue Period 11 monitor

4.1 Table 1 below shows the forecast revenue outturn figures reported by the Directorates at the end of February 2010 as being an underspend of £2.011m against the revised budget.

4.2 The main areas of concern have been reviewed as we move toward Year End, with some remaining risks in P12 and any issues emerging from Year End close down. These will be reported in the Outturn report in June 2010.

4.3 Table 1: Projected Outturn as at February 2010

	Revised budget (1) £'000	Forecast Outturn £'000	Projected variation £'000
CYPS (Non-Schools)	64,619	64,833	214
Environment	55,494	53,669	(1,825)
Community Wellbeing	67,303	64,212	(3,091)
Chief Executive	(44)	226	270
Finance & Risk Management	2,627	1,817	(810)
Strategy & Partnership	8,032	7,351	(681)
Net Operating Expenditure	198,031	192,108	(5,923)
Corporate Items			
Efficiencies (2)	(1,878)	0	1,878
Levies	411	411	0
Debt Financing and Interest Charges	19,052	17,686	(1,366)
Asset Rentals	(28,925)	(28,925)	0
Projected outturn position	186,691	181,280	(5,411)
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 before rollovers	1,874	(3,957)	(5,831)
Impact of budget rollovers	0	1,946	1,946
(Addition)/Reduction in General Fund	0	(2,011)	(3,885)

Notes:

- 1) The revised budget is the Original Budget plus the 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.

4.4 **Significant Revenue Variances**

4.5 Table 2 below analyses the directorate projections for period 11 and shows where the movements have occurred.

Table 2: Analysis of projected Directorate variances at P10 and P11

Projected Directorate variances for the year ending 31st March 2010	Revised Variance Period 10	Variance Period 11	Movement P10 to P11
	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	280	214	(66)
Environment	(1,720)	(1,825)	(105)
Community Wellbeing	(2,709)	(3,091)	(382)
Chief Executive's Office	270	270	0
Finance & Risk Management	(819)	(810)	9
Strategy & Partnership	(215)	(681)	(466)
Total directorate including savings	(4,913)	(5,923)	(1,010)
Debt Financing	(851)	(1,366)	(515)
Budget rollovers per paragraph 3.9	0	1,946	1,946
TOTAL	(5,764)	(5,343)	(421)

4.6 There are many minor variations in the directorate forecasts seen at P11 but these are of the type usually seen in Budget Monitoring reports at this time of year.

4.7 Community Wellbeing has improved by (£382k) since P10. This is due to a number of factors including (£117k) additional client contributions from self-funders, (£122k) due to a reduction in external domiciliary care client pressure, (£59k) additional residential and nursing placement income savings and (£53k) due to a residual budget rollover from 2008/09 in Adult Social Care.

Corporately, in respect of debt management, there were lower interest changes as a result of premature repayment of PWLB borrowing and lower debt charges (£515k)

- 4.8 The movement between period 10 and 11 in respect of Environment (£105k) and Strategy and Partnerships (£466k) is largely due to the emergence of delays in committed expenditure. These amounts have been included in the Budget Rollover requests detailed at para 3.9.
- 4.9 **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.

Budget Rollovers

- 4.10 The table below summarises the amount that each directorate has identified in Budget Rollovers from 2009/10 into 2010/11.

	Total Budget Rollovers Requested
Table 3: Directorate Budget Rollovers 2009/10	£'000
Children and Young People's Services	174
Environment	585
Community Wellbeing	683
Chief Executive's Office	0
Finance & Risk Management	50
Strategy & Partnership	454
Total	1,946

- 4.11 Outlined in **Annex D** are the identified Budget Rollovers in each Directorate with supporting narrative explaining the reason for the Budget Rollover into 2010/11 financial year.
- 4.12 The Corporate Director Finance and Risk Management has agreed to these Budget Rollovers from 2009/10 to 2010/11 financial year, which are mainly due to delays in committed expenditure and grant funded projects. However, these will be centrally held and not automatically added to Directorate Budget Expenditure Limits in 2010/11, as has been the practice in previous years.
- 4.13 This new protocol for identified budget rollovers will ensure that all budget rollovers are formally requested for draw-down from the Budget Rollover Reserve during the financial year taking into consideration the Budget Monitoring for each specific Directorate independently.

Impact on General Fund Balances

4.14 The summarised position on General Fund balances set out in Table 4 reflects the position at Period 11 of a projected underspend of £2.011m. The General Fund Balance is forecast to be £6.945m at 31 March 2010, which is just below the agreed minimum Reserve Balance level of £7m assessment reported in February as part of the 2010/11 budget exercise.

4.15 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
P11 Forecast Addition to General Fund 2009/10	3,957
Less: Total of Budget Rollovers Requested	(1,946)
Balances transferred in from Earmarked Reserves	1,283
Planned use of Earmarked Reserves	(1,000)
Potential non-delivery of a high risk saving	(1,250)
Transfer to Value for Money fund	(1,560)
Net Estimated General Fund Balance at 31st March 2010	6,945

Collection Fund

4.16 The collection fund forecast is as set out in the Budget Report 2010/11 (a surplus of £800k, £677k of which relates to this Council). In line with the agreed financial principles, this will be moved to a reserve and used to fund one-off or capital expenditure items.

Housing Revenue Account

4.17 The P11 projected outturn position for the HRA shows an overspend of £828k, which is a £107k increase since P10. The main reasons for the increased overspend are:

- £91k further fall in expected recharge to leaseholders due to slippage in the window replacement programme;
- (£70k) reduced forecast overspend on repairs and maintenance;
- £92k due to additional slippage in the digital TV aerial installation programme due a higher than anticipated number of no access cases, contractor logistics issues and a delay in completing building risk assessment on the larger blocks.

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

4.19 The outturn data indicates that the HRA will have a balance on reserves of (£5.039m) surplus as at the 31 March 2010.

4.20 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 11 £'000
Uncommitted reserve b/f	(5,026)	(6,092)	(1,066)	0
Net (surplus)/deficit in year	(841)	1,053	1,894	107
Uncommitted reserve b/f	(5,867)	(5,039)	828	107
Prudent Minimum HRA level	(2,400)	(2,400)		

Dedicated School Grant

4.21 At Period 11 the projected position is that there will be an in-year underspend of £557k (£825k) in 2009-10. This is a decrease of £268k from the position reported in Period 10. An analysis of the variances is included at **Annex C**.

CAPITAL

5. Capital Period 11 monitor

- 5.1 A new capital programme process was agreed by Cabinet on the 22 November 2009. This report monitors against spend approval of £93.724m as identified in the Revisions To Capital Programme and Spend Approval report to be agreed at Cabinet on 13 April 2010.
- 5.2 At the end of February the forecast outturn is £94.246m, an over-spend of £0.522m against the latest spend approval. The summarised data is represented in Table 6 below.

Table 6: Summary of capital expenditure forecasts as at 28th February 2010

Directorate	Latest Spend Approval	Forecast Outturn	Variation Over spend	Variation Under spend
	£m	£m	£m	£m
Children & Young People's Service	42.458	40.698	-	(1.760)
Environment	20.421	21.793	1.675	(0.303)
Finance & Risk Management	1.512	1.448	0.037	(0.101)
Strategy and Partnerships	0.045	0.045	-	-
Community Wellbeing GF	13.704	14.812	1.311	(0.203)
Community Wellbeing HRA	15.584	15.450	-	(0.134)
Total	93.724	94.246	3.023	(2.501)

- 5.3 Outlined in Table 6 above, is a forecast underspend of £2.501m in the current year which is largely as a result of slippage to future years together with outstanding spend approval on existing schemes. In addition, there are overspends of £3.023m which have been recognised and additional resources allocated as part of the setting of the 2010/11 Capital Programme overspend of £3.55m was identified as required to finance reported overspends during 2009/10.
- 5.4 This capital financing adjustment will be reflected in the "Revisions to Capital Programme and Spend Approval" report once the 2009/10 accounts have been closed.
- 5.5 Of the under-spend of £2.501m, Directorates have requested slippage of £1.972m into 2010/11, are shown in Table 7 below.

Table 7: Summary of Slippage

Directorate	Forecast Underspend	Slippage to future years
	£m	£m
Children & Young People's Service	(1.760)	1.622
Environment	(0.303)	0.213
Finance & Risk Management	(0.101)	-
Strategy and Partnerships	-	-
Community Wellbeing GF	(0.203)	0.003
Community Wellbeing HRA	(0.134)	0.134
Total	(2.501)	1.972

5.6 **Annex E** shows the current forecast position on all schemes compared to the Spend Approval sought in the Revisions To Capital Programme and Spend Approval report to this committee. 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 Revisions to Capital Programme and Spend Approval report, they have been shown with a green status.

Directorate Capital Variations

5.7 Children & Young People's Service.

The current forecast is £40.698m, (£1.760m) under the current spend approval. Of the 32 schemes for Children & Young People's Service, 3 have been coded with a RAG status of amber and 29 green.

5.8 Environment

The current forecast is £21.793m, £1.372m above the current spend approval. Of the 38 schemes for Environment, 3 have been coded with a RAG status of amber and 35 green.

Junction 14 – A settlement with the contractor was approved by Cabinet on the 26th January 2010. Funding for the settlement is currently in progress.

5.9 Finance & Risk Management

The current forecast is £1.448m, (£0.064m) below the current spend approval. Of the 13 schemes, 2 schemes have been coded with a RAG status of amber and 11 green.

5.10 **Strategy and Partnerships**

The current forecast is £0.045m, in line with the current spend approval. The scheme has been coded with a RAG status of green.

5.11 **Community Wellbeing (GF)**

The current forecast is £14.812m, £1.108m above 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 and financing of schemes.

Tattenhoe Pavilion – corrective works that are required in respect of the roof have commenced. This work has been funded through top-slicing resources for the 2010/11 capital programme, as agreed by Council on 23rd February 2010.

5.12 **Community Wellbeing (HRA)**

The current forecast is £15.450m, (£0.134m) under the current spend approval. All the 9 schemes have been coded with a RAG status of green.

ESTABLISHMENT

6. Establishment Reporting 2010/11

Definitions

- 6.1 Officers have been working on developing improved Establishment reporting, to ensure a consistent understanding of the terminology in these reports useful explanations are provided:
- **Headcount** – the number of council employees in roles at the time of reporting, excluding councillors, relief and casual staff
 - **Establishment** – the number of roles that are the established council workforce e.g. headcount and vacancies, excluding councillors, relief and casual staff
 - **FTE – Full Time Equivalent** roles of the establishment or headcount. This calculation is a “measure of activity” e.g. a full time post is calculated as 1.0 and part time posts are calculated as less than 1.0
- 6.2 The information underpinning the FTE data in **ANNEX F**, is based on the current establishment position, adjusted for issues such as posts no longer required with effect from 01 April 2010; new posts to be added to establishment.
- 6.3 Detailed in **ANNEX F** is a summary of each Directorate Full Time Equivalent (FTE's) and Direct Employee Costs for 2010/11 financial year.
- 6.4 Summary of MKC Establishment & Direct Costs for 2010/11 financial year are noted below in Table 8 this is the **base position** for reporting the Council's establishment during 2010/11 financial year.

Table 8: MKC Establishment Summary @ February 2010

DIRECTORATE	FTE	DIRECT COSTS
Chief Executive	2.00	238,286
Strategy & Partnership	96.70	3,791,654
Finance & Risk Mgmt	71.19	3,377,462
Environment	487.04	17,358,651
CYPS	877.22	29,464,322
Community Wellbeing	883.71	24,942,959
TOTAL General Fund	2,417.86	79,173,334
HRA	118.34	3,722,728
TOTAL MKC	2,536.20	82,896,062

Future Reporting on MKC Establishment Costs

- 6.5 New reporting protocols have been established for both budget and establishment reporting directly from SAP system, instead for previous records being updated manually on centrally maintained records.
- 6.6 The aim of the new reports are to provide CLT and Members with regular and robust establishment and workforce costs data. At this stage it is intended that a supporting narrative will explain variations, on a quarterly basis, and report directorate progress against their 2010/11 workforce efficiency targets.
- 6.7 Included in the Budget Report 2010/11, was additional Efficiency savings target of **£2.1m**, the majority of which would be delivered from Workforce savings, these have been deducted against each individual Directorate Summary, outlined in **ANNEX A**. These will be incorporated into the Monthly Budget reporting and once the relevant consultation process is complete will be included in the updated Quarterly Establishment update report be a risk overview of the Savings and delivery of these targets for 2010/11 financial year.
- 6.8 The next Quarterly update Report on Authority's Establishment to be considered by CLT in July 2010 and forwarded to Members for consideration

7. Implications

7.1 Policy

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

Cabinet approval is required to write off amounts greater than £5000.

7.2 Resources and Risk

The minimum targeted level of General Fund reserves is £7 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

7.3 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.

7.4 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.

7.5 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

ANNEX Attached to this Report:

ANNEX A	Directorate Analysis of Variances @ P11
ANNEX B	Housing Revenue Account
ANNEX C	Analysis of Dedicated Schools Grant Variances
ANNEX D	Directorate Budget Rollover Analysis
ANNEX E	Capital Current Forecast @ P11
ANNEX F	MKC Directorate Establishment 2010/11