

 Executive – 10th August 2011		Agenda Item No. 4
Title	Budget Monitoring to 30 th June 2011	
For further information about this report please contact	Jenny Clayton Tel 01926 456013 Andy Crump Tel 01926 456810	
Wards of the District directly affected	None	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	N/A	
Background Papers	No	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	Yes
Equality & Sustainability Impact Assessment Undertaken	No

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	21/7/11	Chris Elliott
Head of Service	21/7/11	Mike Snow
CMT	25/7/11	
Section 151 Officer	20/7/11	Mike Snow
Monitoring Officer	21/7/11	
Finance	20/7/11	Mike Snow
Portfolio Holder(s)		
Consultation & Community Engagement		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
Final Decision?		Yes/No
Suggested next steps (if not final decision please set out below)		

1. SUMMARY

- 1.1 To inform Executive of the Estimated 2011-12 out-turn projections, for both General Fund and HRA, based on June 2011 budget monitoring information provided budget managers.
- 1.2 To inform Executive of the need for a significant amount of virement from Housing capital to Housing revenue and for this to be approved.
- 1.3 To inform Executive of the significant variations forecast on the 2011-12 Capital Programme and to seek its approval for slippage to 2012-13 .
- 1.4 To update Executive on the progress on the prior-year underspend exercise and seek approval for budget changes.
- 1.5 To highlight any potential risks to the Council and the amount available in the Contingency budget.
- 1.6 To propose new streamlined arrangements for the future management of the Contingency Budget.

2. RECOMMENDATION

- 2.1 Executive notes the budget positions for the current year for the General Fund (£141,000 adverse), HRA (£126,000 favourable) and Capital (£596,800 underspend).
- 2.2 Executive notes the expected variances on the Capital Programme and HRA and approves the virement from capital to revenue (£150,000) and the £600,000 Capital Slippage to 2012-13. (This figure is subject to the recommendation regarding the Sydenham Dual-Use Roof that is on the Agenda for this Executive Meeting).
- 2.3 Executive notes that the most significant area of risk to this Council that is currently being reported is the estimated shortfall of £206,000 on Car Parking Income. If further significant risks become apparent, this will be reported in the next monitoring report to Executive .
- 2.4 The Executive are asked to approve the General Fund Budget reductions identified as part of the Prior Year Underspend analysis, amounting to a total of £177,300 for 2011-12 of which £82,600 is recurrent (Appendix B). It is recommended that £127,300 is returned to General Fund Balance, with the residual £50,000 being added to the Contingency Budget to cover any of these savings that may be subject to such a request, as outlined in paragraph 17.6, during the remainder of 2011-12. The Executive are also asked to approve the reduction in HRA Budgets of £61,400 that were also identified as part of the same exercise.
- 2.5 That the Executive agree that any urgent request for Contingency Budget funding up to £10,000 should be delegated to the Head of Finance and the relevant Head of Service to approve, in consultation with the Finance Portfolio Holder and relevant Service Portfolio Holder. Appropriate details would subsequently be reported to the Executive by the Head of Finance in the next Budget Monitoring report or sooner if necessary.

- 2.6 That the Executive agree that where a Budget Manager is able to demonstrate there is a legitimate demand upon a budget that had previously been reduced as a result of the scrutiny of the 2010-11 outturn or subsequently, it is subject to the following procedures. The Head of Finance and the Head of the relevant Service, after consultation with the Finance Portfolio Holder and relevant Service Portfolio Holder, to be able to approve releasing an amount from the Contingency Budget, up to the sum previously given up from the relevant budget. Relevant details would be included in the next Budget Monitoring report to the Executive, or sooner if appropriate, along with consideration of any budget implications for future years if necessary.
- 2.7 The Executive notes the work carried out on reviewing the Postages Budget. It is recommended that of the saving of £28,800 (all General Fund), £28,400 is transferred to the General Fund balance and £400 to offset the Procurement Savings budget. For 2011-12 (during the Revised Estimates process) onwards it is recommended that the Postages budgets be amalgamated into one Corporate Budget under the Document Management Centre with future savings from more efficient practices and procurement being returned to General Fund/HRA balances.
- 2.8 The Executive note the work that is currently underway in respect to the recharging of the Printroom design and Advertising Budgets and the savings that will arise from the new Photocopying arrangements. It is recommended that the saving of £6,000 (£7,300 from 2012-13) identified to date from the introduction of the new contract (part year effect) be removed from these budgets, with the General Fund Proportions for 2011-12 and 2012-13 being offset against the Procurement Savings Targets. It is recommended that when the rest of this work is complete, the necessary budget reductions are approved under delegated powers by the Head of Finance with the Executive being notified of the actual reductions when the next monitoring report is presented to them in November.
- 2.9 That the Executive agree to reduce training budgets in 2011/12 and future years as shown in Appendix C, with the creation of a £10,000 Central Training budget to be administered by Human Resources.
- 2.10 Members are asked to approve that the budget adjustment in respect of the new Catering Contract be offset against the procurement savings budget for this year, £8,000 plus a further £23,000 for the 2012-13 target.
- 2.11 Members are asked to agree to the returning of £23,200 to the Contingency Budget as it is no longer required for the Community Enterprise Officer.
- 2.12 Members are asked to approve the return of the funding originally allocated for Queen's Square Warwick (£250,000) and Coten End (£120,000) to the S106 Budget.

3. **REASONS FOR THE RECOMMENDATION**

- 3.1 To bring to Members attention the latest budget position for the current financial year.

- 3.2 The latest projections for the General Fund suggest there are several areas which will overspend. These managers are being asked to review these pressures and take remedial action to address these deficits. Hence it is all the more imperative, that when budgets are being unspent, savings are returned to balances. Replenishing the Council's Balances would ensure that one-off non recurrent resources would be available should these deficits not be met in full.
- 3.3 Budget manager have expressed concerns about the complexities of requesting monies from the Contingency Budget. These are often unforeseen small amounts and items that need addressing urgently. The proposed new arrangements should facilitate this process and encourage managers to reduce surplus budgets.
- 3.4 More details for the various recommendations above are given in the sections after Section 7.

4. **POLICY FRAMEWORK**

4.1 **Policy Framework**

This report is in accordance with the Council's Financial Strategy as last approved by the Executive in February.

4.2 **Fit for the Future**

One of the key elements of Fit For the Future is ensuring that the Council achieves the required savings to enable it to set a balanced budget whilst maintaining service provision. This report updates members on the financial projections for future years, savings required to be found and some of the key issues needed to be considered in preparing the 2012-13 budget and beyond.

5. **BUDGETARY FRAMEWORK**

- 5.1 The Council needs to find financial savings of approaching £3m over the next five years on a net General Fund Budget of £18m. Savings found from the prior-year underspend exercise, along with savings from new ways of delivering postal, advertising and printroom services will help the council to achieve this figure.

6. **ALTERNATIVE OPTION(S) CONSIDERED**

- 6.1 Not reporting to Executive on a regular basis, however, in the current financial climate, it is imperative that budgets are reviewed, monitored and reported upon on a continuous basis.
- 6.2 By not reducing budgets, which have been consistently underspent, enables Budget Managers to use this money elsewhere for items that were not originally in their service plans. This council has to find £3million savings over the next few years and this approach would make this even harder to achieve and is not consistent with the one council approach.
- 6.3 Not slipping capital to the correct year, in which it is intended to be spent, makes monitoring of projects difficult. Members would not have relevant, up to date information from which they can make decisions about capital projects and funding.

7. BACKGROUND

- 7.1 The current General Fund service expenditure position is a projected overspend of **£141,000** compared to the latest 2011-12 budgets.

	£
Net Expenditure for District Purposes (Original Estimate 2011/12)	15,851,307
Support Service Changes	(21,400)
Latest Budget	15,829,907
2010/11 Earmarked Reserves now added to 2011/12 Budgets	1,340,400
Latest Annual Budget	17,170,307
<u>Budget Recommendations in this report</u>	
Prior Year Underspends - Net	(127,300)
Training net	(53,600)
Postages	(28,400)
Projected net variance to latest budget	141,000
Net Cost of General Fund Services (Projected 2011/12 Outturn)	17,102,007

The following table details the variances from the latest proposed General Fund budget for 2011/12:

June 2011 General Fund Variances:	June 2011
Variance for Strategic Leadership Portfolio	(7,200)
Variance for Culture Portfolio	37,500
Variance for Development Portfolio	35,400
Variance for Neighbourhood Portfolio	220,000
Variance for Environment and Community Protection Portfolio	(9,900)
Variance for Finance Portfolio	(66,500)
Variance for Community and Corporate Services Portfolio	8,000
Sub-Total of Variances £5,000 or greater	217,300
Total of Variances under £5,000:	(8,500)
Project net Salary Variation	(67,800)
Grand Total of Variances affecting General Fund Balances	141,000

8 INCOME

- 8.1 Key or high risk income areas will be monitored closely, with more detailed explanations of variations being produced. For example, Car Parking income is down by £206,000 as footfall in Leamington and Warwick Town Centres has

fallen. The Parking Services Manager is actively seeking to redress this but the ability to do so is restricted by the current economic climate.

- 8.2 The Finance Department has met with the Spa Centre Manager to review the 2011-12 budgets. There are initial concerns in respect of the budget for Room Hire Fees (circa £20k adverse). At present, moves are in place to establish why those who had made enquiries, but subsequently did not book, choose not to. The Spa Centre Manager feels it is too early to determine whether the current trend will continue and is also looking to reduce expenditure where possible. The position in respect of Hire Fees will be reviewed in time to feed in to the Revised Estimates Process. The position here will be considered by the Spa Centre Monitoring Group.
- 8.3 Key income budgets have been reviewed and detailed information can be seen in the table below. Spa Centre income is down compared to last year and is being addressed by the Spa Centre Manager. However, Gyms/Swims income is doing well compared to last year with an overall increase of 12% (last year there were free swims for U16s and over 60s). Calculations by Finance on preliminary information provided by the Waste Management Section indicate that the overall adverse variance of £11,000 for the sale of recycled materials and recycling credits is a reasonable assumption. This is because although the amount received to date is £37,300 higher than this time last year, the income budget for 2011-12 is over £100,000 more than the 2010-11 budget.

Service	Income to 30/6/11	% of Income Budget 11/12	Income to 30/6/10	% 2010/11 Actual Out-turn
Dev Control	110,800	26.5%	111,400	21.6%
Build Control	134,000	28.2%	145,100	30.6%
Land Charge	58,400	30.1 %	47,500	24.9%
Spa Centre	187,200	22.6%	200,400	31.2%
Swims/Gyms	235,400	26.3%	209,700	23.4%
Recycling	229,200	24.5%	191,900	23.3%

9 EARMARKED RESERVES

- 9.1 They have now been approved by the June Executive and have been added into the 2011-12 budget. They will be monitored separately and reported to Executive on a quarterly basis.
- 9.2 Details of these reserves can be seen in Appendix A and total, excluding the £86,800 put to Contingency, £1,253,600.
- 9.3 Due to them only being approved in June, Budget Managers have not yet reported any progress on using these resources.
- 9.4 The Earmarked Reserve used as a Guarantee for Friends of the Pump Rooms Improvement Scheme may not be needed if the Friends are successful in finding additional grant funding for this project. If this was to be the case, it would be reported to Executive to seek approval for it to be returned to the General Fund.

10 SALARIES

- 10.1 £67,800 of potentially favourable salary variations have been reported this month. Areas where savings are likely are Improvement and Performance, Revenues, DMC, Customer Service Centre and Benefits.

11 MINOR VARIATIONS

- 11.1 Currently this favourable variation of £8,500 is made up of 15 budget variances, some of which are adverse and some of which are favourable. They cover most service areas.

12 POSTAGES/PRINTING/COPYING

- 12.1 An exercise has identified postages savings due to new ways of working and a new contract with Birmingham City Council. This will produce net recurrent savings of £400 for the General Fund. This will be offset against the Procurement Savings budget.

The Postages budgets for 2010-11 were underspent in total by £44,400, £16,000 of which being due to a one-off refund from Royal Mail. The Executive are asked to approve this reduction (£28,400).

It is proposed to change the internal mechanism for the recording of costs and charging out to relevant services. Under the old arrangements, the Postage Budgets were held within the relevant Service Areas, thus allowing managers to use any efficiency savings achieved to be redirected to other budget lines within their Service Areas, rather than these savings being used to redress the future years deficit.

For 2011-12 onwards it is recommended that the Postages budgets be amalgamated into one Corporate Budget under the Document Management Centre with future savings from more efficient practices and procurement being returned to General Fund/HRA balances. The costs of Postages during the year being recharged to the service areas as part of the general recharging process at year end.

- 12.2 As part of the Support Services Review, the mechanism for the charging of the Advertising and Design work in the Printroom has been changed to make it more transparent. Early analysis of these budgets suggests there will be savings where not all budgets have been used previously. Work is also underway to establish where further efficiencies can be made from bringing more work in house. It is therefore proposed that as soon as definitive figures are available, the budgets be re-aligned accordingly, being approved by the Head of Finance, Finance Portfolio Holder and Deputy Chief Executive, with the Executive being notified of the actual reductions when the next monitoring report is presented to them in November. Alongside this, the Council has purchased new Photocopiers/printers under a Finance Lease. This will result in a saving of £6,000 (part-year effect in 2011/12, £7,300 in 2012/13) with the General Fund Proportions (estimated to be £4,000) being offset against the Procurement Savings Target. Members' approval for this is sought.

13 PRIOR YEAR UNDERSPENDS

- 13.1 Following the closure of the 2009-10 and 2010-11 Accounts, the accountants in conjunction with managers, have reviewed the underspends with a view to identifying where budgets should be able to be reduced. Last August, approaching £500,000 was removed from the 2010-11 budgets as a result. For 2010-11, there were gross underspends of around £400,000. Finance has undertaken an in depth analysis of underspent budgets and where these are likely to continue to be under-used in 2011-12 and subsequent years. To date £177,300 has been identified, of which £82,600 is recurrent. These are all in respect of the General Fund. A further £61,400 has been identified within the HRA budgets. During the year as part of the Budget Monitoring process, Finance will continue to work with managers to identify areas where savings are being made, with further proposals being brought back to members for their approval. It is recommended that the Executive approve the reductions as outlined in Appendix B.
- 13.2 Of the £177,300 in prior year savings identified, it is recommended that £127,300 is returned to General Fund Balance, with the residual £50,000 being added to the Contingency Budget for the reasons outlined in paragraph 17.6 below.

14. TRAINING

- 14.1 There have been substantial underspends on training budgets in the last two years - £66,000 underspend on £194,000 budget in 2010-11 and £56,000 on £231,000 budget 2009-10 for the General Fund. It is recommended that training budgets are reduced based on the two year average underspend, giving further reductions to those already proposed as shown in Appendix C. For the General Fund this will be £63,600 and £27,700 for the HRA. Alongside this, a Central Training Budget of £10,000 would be created to be administered by Human Resources to provide additional resource when service budgets prove to be insufficient.

15 PROCUREMENT SAVINGS

- 15.1 In July, Members received a report in respect of the new Catering Contract. As outlined in the report, efficient procurement of this contract will achieve £8,000 additional income in the current financial year, and £31,300 in 2012-13 (an additional £23,300). This year's saving has now been reflected in paragraph 15.2 and Members are asked to approve that this budget adjustment be offset against the Procurement Savings budget for this year. Next year's procurement saving will be incorporated into the Budget presented to Members in December for their approval.
- 15.2 £201,000 savings from Procurement have already been included in the 2011-12 budget, to date £26,900 procurement savings have been identified and they reduce this target to **£174,100**. Progress on achieving this figure will be reported regularly.

Original Budget 2011-12 (General Fund)	£201,000
Tree inspector tender	(£4,300)
Maintenance contract pay on foot car parks	(£6,700)
Gas Contract	(£1,000)
Cleaning for homelessness properties	(£2,500)
Catering	(£8,000)
Photocopying/printroom	(£4,000)
Postages	(£400)
Savings still to be identified	£174,100
Memorandum Items	
Vehicle leasing -	(£2,700)
Stock Condition Survey	(£2,700)
Local Plan Brief	(£6,400)
HRA Savings (increases HRA balances)	
Cleaning contract for HRA communal areas.	(28,900)
Photocopying/printroom	(£2,000)

- 15.3 The memorandum items mentioned in paragraph 15.2 relate to savings for reserve funded items (Stock Condition Survey and Local Plan Brief) and vehicle leasing (funded by Warwickshire County Council under car parking decriminalisation), where savings have been made in the procurement process but there is no effect on the General Fund due to the way they are funded.
- 15.4 Further savings are in the process of being identified, both for General Fund and HRA, and these will be reported once they have been clarified and confirmed.

16 FIT FOR THE FUTURE

- 16.1 £253,000 savings from Fit for the Future had been included in the 2011-12 Budget, this has now reduced to £216,500 as approved by the Executive in July. Progress on achieving this figure will be reported regularly.

17. CONTINGENCY

- 17.1 The Council's Estimates have in recent years included a specific "Contingency Budget". This is intended to be used for any unplanned expenditure which could not be foreseen when the Estimates were agreed and cannot be met out of the agreed budgets. The items financed from the Contingency Budget are one-off items.
- 17.2 Allocations from the Contingency Budget currently need to be agreed by the Executive. On occasions, this has caused problems with regard to timing. Under the Scheme of Delegation, CE(4) states how the Chief Executive should deal with urgent items that occur between meetings, in consultation with the relevant Deputy Chief Executives, Heads of Service (if available) and Group Leaders (or in their absence Deputy Group Leaders) subject to the matter being reported to the Executive at its next meeting. When additional funding

has been required, it has been necessary to use this specific power, whatever the size of the amount required from the Contingency Budget.

- 17.3 It is proposed in future, any urgent request for Contingency Budget funding up to £10,000 should be delegated to the Head of Finance and the relevant Head of Service to approve, in consultation with the Finance Portfolio Holder and relevant Service Portfolio Holder. Appropriate details would subsequently be reported to the Executive by the Head of Finance. Amounts above £10,000 would still need to be subject to the use of the Chief Executive's emergency powers as outlined above.
- 17.4 The perceived delay and difficulty in obtaining funding from the Contingency Budget has had an adverse affect in terms of encouraging Budget Managers to agree to reduce their budgets, even though history may have shown expenditure to be below the budget levels in many instances. As a result many Budget Managers will have their own "contingency budgets" within the Budgets that they control. Whilst it is good for Budget Managers to be cautious, across the organisation it means corporately over budgeting is taking place with money tied up in budgets that are not likely to be used.
- 17.5 Budget Managers have repeatedly said how difficult it is to get "budget back" once it has been removed should there later prove to be need to incur the expenditure to ensure the continued provision of services. Furthermore, managers are reluctant to declare forecast underspends during the monthly budget monitoring process should the budget be reduced and the position subsequently change. This has made it hard to forecast what the Council's underlying financial position will be at the end of each financial year.
- 17.6 It is therefore proposed that there should be a fast track method of accessing the Contingency Budget for cases where budgets have been previously been specifically reduced. In these cases, where the Budget Manager is able to demonstrate the need for the restoration of the budget, the Head of Finance and the Head of the relevant Service, after consultation with the Finance Portfolio Holder and relevant Service Portfolio Holder, will be able to agree to release the amount agreed from the Contingency Budget, up to the sum previously given up from the relevant budget. The budgets would be duly amended, with details included in a future report to the Executive, along with consideration of any budget implications for future years if necessary.
- 17.7 The current year's balance on this fund is now £246,100 after allocations for the General Fund share of Digital TV and the Abbey Fields Closure. The amount allocated for the Community Enterprise Officer £23,200 is no longer needed and it is recommended that it is returned, increasing the balance to £269,300. Should the recommendation in paragraph 2.4 (relating to paragraph 13.2) be agreed, this would increase the balance to £319,300.

18 RISKS

- 18.1 The most significant area of risk to this Council that is currently being reported is the estimated shortfall of £206,000 on Car Parking Income. (Shown as part of the Variance for Neighbourhood Portfolio in paragraph 7.1). In the current economic climate it is unlikely that the Parking Services Manager will be able to turn this around in the current year.
- 18.2 Currently there are no other significant risks being reported but should it become clear that the savings budgeted for, for example, from Fit for the Future and Procurement are not achievable this will be reported to Executive.

19. HRA

- 19.1 Since the Service Improvement Plan report to Executive on 9th February 2011, requesting additional funds for kitchen and bathroom replacements in void properties, it has emerged that the majority of the replacements are required to meet the new lettings standard, rather than as a result of having been 'missed' on the Decent Homes Programme, as previously reported. As a result more expenditure is occurring on the voids revenue code than on the relevant capital budget.
- 19.2 It is recommended that £150,000 of the £445,000 additional funds allocated to the capital budget for kitchens and bathrooms, be transferred to the voids repairs revenue budget.
- 19.3 There is the cleaning procurement saving of £28,900, the photocopying/printroom procurement saving £2,000 both mentioned in paragraph 15.2 and a further (non procurement) saving of £6,000 on window cleaning. The latter is due to a reduction in service from being cleaned monthly to quarterly, reducing the budget from £13,600 to £7,600. Finally, there are the prior year underspending savings (£61,400 see paragraph 13.1) and the saving on the training budgets (£27,700 see paragraph 14.1). These all make a total reduction in costs of £126,000, thus projecting an underspend of this amount at year end.

20. CAPITAL

- 20.1 Slippage, to 2012-13, of nearly £600,000 has been identified. This relates to Castle Farm Drainage Project (£73,000), Sydenham Sports Centre roofing (£96,000), One Stop Shop Development (£318,200), Replacement PCs and Printers (£62,700) and Cubbington Flood Alleviation Scheme (£50,000). Reasons for this can be seen in Appendix D and Members are asked to approve this slippage.
- 20.2 The Housing Capital Programme is on target with schemes for Queen's Square Warwick (£250,000) and Coten End (£120,000) no longer being funded by WDC, enabling the budget to be returned to the S106 Budget to be used on future schemes. Members are asked to approve this virement.
- 20.3 Sydenham Sports Centre Roofing mentioned in paragraph 20.1 above is subject to a report, from Culture, to this Executive. Dependant on this, it may no longer be treated as slippage.