

CABINET

14 September 2011

THE OVERVIEW & SCRUTINY COMMITTEE

26 September 2011

GENERAL FUND BUDGET – REVISED ESTIMATE 2011/12

REPORT OF HEAD OF FINANCE

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RECENT REFERENCES:

[CAB2125: Budget and Council Tax 2011/12, 9 February 2011](#)

[CAB2175: Revenue Outturn 2010/11, 6 July 2011](#)

[CAB2202: Financial Strategy 2012/13 to 2014/15, 6 July 2011](#)

EXECUTIVE SUMMARY:

Early Monitoring of the budget for the current year (2011/12 - set last February) identified some emerging pressures in relation to assumptions on income levels. This led to an immediate high level review and savings proposals of £0.653m were approved at July Cabinet to bring the budget back into balance for the year (CAB2202).

Since then, further potential pressures have emerged, notably on forecast income. Again, action is outlined to address the forecast additional shortfall of £0.172m. This report sets out a General Fund Revised Estimate for 2011/12, which is presented for approval.

The total forecast adverse variances from the two reviews amounts to £0.825m. In the light of the magnitude of this forecast, the matter is also reported to Council and The Overview and Scrutiny Committee for their consideration.

RECOMMENDATIONS:To Cabinet:

1. That it be recommended to Council that the Revised Estimate for 2011/12, be approved.

To The Overview & Scrutiny Committee:

2. That The Overview & Scrutiny Committee considers whether it wishes to make any comments to the Cabinet or the Council on the General Fund Revised Estimate for 2011/12.

To Council:

3. That the Revised Estimate for 2011/12 as set out in this report be approved.

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## GENERAL FUND BUDGET – REVISED ESTIMATE 2011/12

### REPORT OF HEAD OF FINANCE

#### 1 Background

- 1.1 The General Fund Budget for 2011/12 was approved by the Council in February 2011. In July, the Cabinet approved the carry forward of one-off unspent revenue budgets totalling £0.367m from 2010/11, with a further £0.188m deferred for decision.
- 1.2 In July, the Financial Strategy identified a number of emerging pressures in relation to the assumptions on income levels, notably on parking income and the increasing risk that the Government will not fulfil its commitment to localise planning fees. This led to an immediate high level review and proposals of £0.653m were reported to July Cabinet to bring the budget back into balance for the year (CAB2202 – see Table 1 below).
- 1.3 Since then, in year budget monitoring is providing early indications of further potential shortfalls in income, as well as emerging unavoidable and immediate cost pressures. These reflect issues identified in the risk assessment that supported the budget.
- 1.4 Officers have therefore undertaken a further review of the current year's budget and propose in this paper additional measures that are considered to be necessary to keep the 2011/12 budget in balance.

#### 2 The Budget Context

- 2.1 When the budget was approved in February there were a significant number of budget risks and uncertainties identified. Budget monitoring in the year to date has identified the need to revise some specific budgets. Whilst this is simply a snapshot, and some figures are uncertain and may change further before the end of the year, it is nevertheless prudent to plan now to meet any predicted shortfall or overspend.
- 2.2 The combined effect of these forecast changes on the Council's annual budget, which is largely contractually committed, and with only half of the year remaining for any actions to be effected, means inevitably that there are limited options for presenting a Revised Budget. This paper sets out proposals for further savings and outlines management actions in hand to help achieve a balanced outcome. The Corporate Management Team will continue to monitor the budget for the remainder of the year and take action as necessary to ensure the forecast remains in balance.

- 3 Budget Carry Forwards requested from 2010/11, deferred for later decision
- 3.1 Due to a number of adverse pressures on the 2010/11 outturn it was decided not to approve the carry forward of all the proposals requested in the July outturn report (CAB2202), but instead to defer the decision on certain proposals to the September Revised Budget. The total deferred carry forwards amounted to £0.188m, of which £0.141m was proposed to be funded by the Major Investment Reserve and £0.047m from the LABGI Earmarked Reserve. These are summarised in Appendix C.
- 3.2 After further review of the deferred carry forwards, and in light of the limited reserve balances available to support these one-off requests, it is proposed that an additional spend of only £10,000 is brought forward to 2011/12 in relation to the Environmental Services Project request, to be funded from the Major Investment Reserve. The £30,000 request for carry forward relating to City Centre Retail promotion (funded by the LABGI Earmarked Reserve) is to be considered as part of the 2012/13 budget setting process. None of the other requests are at present affordable.
- 4 Proposed Budget Revisions
- 4.1 In July the forecast adverse variances to the Budget amounted to £0.653m. The proposals presented in the Financial Strategy (CAB2202) for balancing this reduction in income are shown below.

**Table 1 - July Estimates (CAB2202)**

TABLE 1	2011/12	2012/13	2013/14
	£000's	£000's	£000's
<b><u>Changes to Original Estimate - Forecast Assumptions</u></b>			
<b><u>Reduced Income</u></b>			
Affordable Homes Bonus - to commence 2012/13	53		
Localisation of Planning Fees - delayed until April 2012	300		
Car Parking Income - lower receipts	300	300	300
<b>Total forecast shortfall</b>	<b>653</b>	<b>300</b>	<b>300</b>
<b><u>Proposed Revisions to budgets</u></b>			
<b><u>Income</u></b>			
Land Charges Income	20	20	20
Recycling Income	25	25	25
Estates Income	29	20	20
<b><u>Expenditure</u></b>			
Release of Contingency – general	150	150	150
Release of Contingency (part) - Environmental Services Contract	100	0	0
Lease Cars / Essential User Allowance / Mileage Rate Review	50	20	20
Reduced Audit Fees	10	10	10
<i>Employees:</i>			

<b>TABLE 1</b>	2011/12	2012/13	2013/14
	£000's	£000's	£000's
Flexible Resource Management / 1team	99	55	55
Planning enforcement staffing	50	0	0
Training	30	0	0
Overtime & Agency	60	0	0
Local Elections	30	0	0
<b>Total proposed budget revisions</b>	<b>653</b>	<b>300</b>	<b>300</b>
<b>Change in Net Budget Requirement</b>	<b>0</b>	<b>0</b>	<b>0</b>

4.2 Since July further budget pressures of £0.172m have been identified, together with a movement in reserves of £21,000. These relate to forecast reductions in income and a number of unavoidable costs which will need to be met. To counterbalance, officers have identified offsetting savings as summarised in Table 2 below.

**Table 2 – Emerging Additional Pressures**

<b>TABLE 2</b>	2011/12
<b>Further Changes to Original Estimate Forecasts - Growth</b>	£000
Guildhall trading account	80
Planning - appeal costs	30
Equalities Act - Equality & Inclusion Consultancy	17
Legal Costs - Corporate provision for legal costs e.g. Planning / Community Safety etc	25
Planning Consultancy	10
Business Rate Relief	10
<b>Total forecast additional shortfall</b>	<b>172</b>

<b>TABLE 2</b>	2011/12
<b>Further Changes to Original Estimate Forecasts - Savings</b>	£000
<b>Increased Income</b>	
Recycling Income	(10)
Tourism Income from Partnerships	(5)
<b>TOTAL Increased Income</b>	<b>(15)</b>
<b>Reduced Expenditure</b>	
Non-pay expenditure - 0.5% reduction	(80)
<i>Procurement savings</i>	
Public Conveniences Cleaning	(33)
Office Accommodation Cleaning	(25)
<i>Deferral of Change Plan items not time sensitive for 2011/12</i>	
Homelessness - Winchester Social Lets - scheme slow in picking up	(30)
Commissioning Budgets	(10)
<b>TOTAL Reduced Expenditure</b>	<b>(178)</b>
<b>Movement in Reserves (Winchester Town Account)</b>	<b>21</b>
<b>Total Forecast Savings</b>	<b>(172)</b>

4.3 The effect on future years will be considered as part of the budget setting for 2012/13.

## 5 Employee costs

5.1 Employee costs represent some 43% of the Council's expenditure. The Original Budget included an ongoing assumption that the Flexible Resource Management (FRM) savings from the active management of vacancies arising would deliver savings of £0.176m. After reviewing the savings from the first three months to June a further £99,000 of savings were added to this target in the July forecast, bringing the total savings target to £0.275m for 2011/12. In addition, further employee savings of £0.175m are planned to be achieved through Organisational Development, plus a further £26,000 one-off 2011/12 savings due to the timing of savings made in the 2011/12 budget setting process (i.e. less than a full year of savings). This equates to a total 2011/12 employee savings target of £0.476m.

5.2 These assumptions have been retained in the Revised Estimate although achievement is dependent on the timing of the Organisational Development savings and the continuation of the current FRM strategy.

5.3 In the year to July 1 team / FRM savings of £0.135m have been achieved and a further £0.222m of savings have been identified through the holding of known vacancies, leaving £0.119m of savings which will be the subject of further proposals from CMT.

## 6 Redundancy Budget

6.1 The Original Estimate identified that achieving the staffing reductions necessary may incur one-off redundancy costs which would be a priority call on the Major Investment Reserve (MIR). In order to meet these costs a budget of £0.200m was provided for in 2011/12. Separate financial approvals are required on a case by case basis as part of the redundancy procedures. In the year to date £24,000 of this has been committed.

## 7 Savings Contingency

7.1 The risks associated with the achievement of the budgeted savings were recognised when the budget was set and a savings contingency of £0.150m was allowed for. This was been fully released in the July forecast.

7.2 Therefore, this Revised Estimate will need to be supported by detailed delivery plans to ensure all of the savings and income targets assumed are achieved, and to allow early intervention where there is adverse slippage against the plan. The monthly financial monitoring procedures in place will support this.

## 8 Planning Fee Income

8.1 The Budget for Planning fee income is £0.7m (2010/11 outturn was £0.9m). Income for the year to July amounted to £140k; only 20% of the full year budget. The receipt of major applications can significantly affect this income

and it is being closely monitored. In the event that the income budget is thought unachievable further cost savings will need to be found.

9 Winchester Town Account (Appendix B)

- 9.1 The Revised Estimate for the Winchester Town Account is provided at Appendix B.
- 9.2 This reflects the Outturn position for 2010/11 which produced a closing balance on the account of £122k compared to a budgeted balance of £28k. Unspent budgets carried forward to 2011/12 amounted to £48k.
- 9.3 This produces an improved forecast reserve balance of £118k at 31 March 2012 compared with an Original Estimate of £54k.

OTHER CONSIDERATIONS:

10 SUSTAINABLE COMMUNITY STRATEGY AND CHANGE PLANS (RELEVANCE TO):

- 10.1 The Budget supports the delivery of the Council's Change Plans and the Winchester District Sustainable Community Strategy. Revisions to the Budget are necessary when monitoring of income and expenditure identify variations to the original plan to support the delivery of the Council's key priorities.

11 RESOURCE IMPLICATIONS:

- 11.1 As outlined in the paper.

12 RISK

- 12.1 The risk of a revenue budget overspend is covered by Corporate Risk CR5004 and is mitigated by actions included in the Financial Strategy and ensuring that appropriate monitoring and reporting procedures are in place for the Council to manage performance against budgets effectively.
- 12.2 A risk assessment was contained in the budget setting report for 2011/12 together with the mitigating actions which have supported this review.
- 12.3 The Council maintains a General Fund working balance of £2m which is considered to be appropriate.

BACKGROUND DOCUMENTS: Working papers held within the Finance Division

APPENDICES:

Appendix A: General Fund Revised Budget 2011/12

Appendix B: Winchester Town Account Revised Estimate 2011/12

Appendix C: Requests for Budget to be Carried Forward from 2010/11 deferred in July for decision in September.

<b>GENERAL FUND REVISED ESTIMATE 2011/12</b>		
	<b>2011/12</b>	
	<b>Original Estimate</b>	<b>Revised Estimate</b>
	<b>£000</b>	<b>£000</b>
<b>Cost of Services b/f as per Amended Budget February 2011</b>	<b>14,258</b>	<b>14,526</b>
<b><u>Proposed Revisions to 2011/12 Budget (Per CAB2202)</u></b>		
Release of Contingency		(150)
Reduced Income		600
Proposed Increased Income		(74)
Proposed Expenditure Reductions		(429)
<b><u>Further Revisions to 2011/12 Budget</u></b>		
Brought Forwards (CAB2175)		367
Brought Forwards Deferred to this paper		10
Growth		172
Increased Income		(15)
Reduced Expenditure		(178)
<b>Cost of Services</b>	<b>14,258</b>	<b>14,830</b>
<b>Other Operating Income &amp; Expenditure</b>		
Payment of Parish Precepts	2,203	2,203
<b>Financing &amp; Investment Income &amp; Expenditure</b>	(184)	(184)
Minimum Revenue Provision & Voluntary Revenue Provision	70	70
<b>Taxation &amp; Non-Specific Grants</b>		
Council Tax	(6,927)	(6,927)
Parish Precepts	(2,203)	(2,203)
Non-ring fenced Government Grants	(5,360)	(5,307)
<b>Provision of Services</b>	<b>(12,401)</b>	<b>(12,348)</b>
<b>Statutory Adjustments</b>		
Capital Charges	(1,513)	(1,513)
<b>(Surplus) / Deficit before Reserves</b>	<b>344</b>	<b>969</b>
<b><u>Movement in Reserves</u></b>		
Transfers to or (from) Major Investment Reserve	(235)	(516)
Transfers to or (from) Earmarked Reserves	(142)	(458)
Transfers to or (from) Winchester Town Reserve	32	5
<b>General Fund Deficit / (Surplus)</b>	<b>-</b>	<b>-</b>

<b>WINCHESTER TOWN ACCOUNT- REVISED BUDGET 2011/12</b>				
	<b>Per CAB2175</b>	<b>Per CAB2125</b>		
	<b>2010/2011 Outturn</b>	<b>2011/2012 Original Budget</b>	<b>2011/2012 Revised Budget</b>	<b>B/FWD from 2010/11</b>
<b><u>Expenditure</u></b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Recreation Grounds & Open Spaces	522,792	586,386	583,925	
Maintenance Work to Council Owned Bridges	8,726	15,000	29,882	14,882
Support Costs to Council Owned Bridges	0	1,000	1,000	
Cemeteries	21,254	71,081	24,206	5,000
Community Wardens (Contribution)	45,000	45,000	45,000	
Grants	27,813	41,813	65,813	24,000
Footway Lighting	32,836	26,275	29,797	
Bus Shelter Cleaning & Maintenance	4,476	10,970	10,970	
Town Forum Support	4,798	5,595	4,798	
Christmas Lights	13,899	14,640	14,740	
Allotments	(1,454)	(1,624)	(1,365)	
Public Conveniences (Contribution)	50,000	50,000	50,000	
Theatre Royal (Contribution)	20,000	20,000	20,000	
20mph Speed Limit	0	10,000	10,000	
Urban Neighbourhood Plans	1,500	0	0	
Grit Bins	0	2,000	6,000	4,000
Revised Forecast Environmental Contract Savings		(40,000)		
<b>Total Expenditure</b>	<b>751,640</b>	<b>858,136</b>	<b>894,766</b>	<b>47,882</b>
<b><u>Funding</u></b>				
Proceeds of Council Tax	(863,506)	(868,165)	(868,165)	
Council Tax Freeze Funding (2.5%)		(21,704)	(21,704)	
Interest on Balances	(101)	(224)	(224)	
<b>Total Funding</b>	<b>(863,607)</b>	<b>(890,093)</b>	<b>(890,093)</b>	
<b><u>Reserves</u></b>				
(Surplus added to Reserves) / Deficit taken from Reserves	(111,967)	(31,957)	4,673	
<b>Opening Fund Balance (at 1st April)</b>	<b>(10,313)</b>	<b>(22,366)</b>	<b>(122,280)</b>	
<b>Closing Fund Balance (carried forward)</b>	<b>(122,280)</b>	<b>(54,323)</b>	<b>(117,606)</b>	
Closing Reserves forecast as % of net expenditure	16%	6%	13%	

**Requests for Budget to be Carried Forward from 2010/11 deferred in July for decision in September.**

<b>Team</b>	<b>Description</b>	<b>£</b>	<b>Funding Source</b>	<b>Justification</b>
Project Office	Retriever	15,000	MIR	Without this budget we will not be able to scan any historical documents with the roll out of Retriever. Remaining areas include Car Parking, Legal, Elections, Finance, Museums etc
Strategic Planning	LDF	36,000	MIR	Production of the Local Development Framework was delayed in 20010/11 leading to an underspend, but funding will be required in 2011/12 and beyond. The annual contribution to the LDF Reserve (to fund future major expenditure such as the Public Examination, etc) has been cut, which is projected to result in a budget shortfall by 2013/14. This carry-forward could help to reduce the scale of this shortfall.
Environment	Top up of commissioning budget used to fund Baring Road Improvement Scheme (CAB2160)	30,000	MIR	Carry forward proposal per CAB2160
Economy & Arts	LABGI Projects	38,400	LABGI	Requested carry forward of unspent LABGI projects (City Centre Retail promotion £30k, Business Start up grants £6.6k, Back to work training £1k, Training courses for businesses £0.8k)
Waste & Environment	Environmental Services Project	50,000	MIR	Carry Forward of budget required for various project related expenditure: Legal advice, Consultants, Temporary Staff, CRM System, Set up costs, and Publicity
Building Control	IT Equipment for mobile working	10,000	MIR	BC tablets are old and becoming increasingly unreliable therefore new equipment is needed. A study of the requirements to be made in conjunction with IMT

## Requests for Budget to be Carried Forward from 2010/11 deferred in July for decision in September.

Team	Description	£	Funding Source	Justification	
Strategic Planning	Production of Design Statements	8,800	LABGI	Funding to assist the production of Village and Neighbourhood Design Statements. The Council has provided funding in the past to help with production/publication of Design Statements and carrying forward this budget would enable this to continue.	
<b>TOTAL CARRY FORWARD - uncommitted</b>		<b>188,200</b>			
		<b>FUNDING</b>			
		<b><u>MIR</u></b>	<b><u>Winchester Town</u></b>	<b><u>OTHER Earmarked Reserves</u></b>	<b><u>TOTAL</u></b>
		£	£	£	£
<b>Expenditure to be carried forward</b>		<b>141,000</b>	<b>0</b>	<b>47,200</b>	<b>188,200</b>