

Executive

2009/10 Projected Revenue & Capital Outturn at 30 September 2009

16 November 2009

Report of Head of Finance

PURPOSE OF REPORT

This report summarises the Council's Revenue and Capital performance for the first 6 months of the financial year 09/10 and projections for the full 09/10 period. These are measured by the budget monitoring function and reported via the Performance Management Framework (PMF) informing the 09/10 budget process currently underway.

This report also reviews the treasury performance in Q2 2009/10.

This report is public

Recommendations

The Executive is recommended:

- 1) To note the projected revenue & capital position at September 2009.
- 2) To approve the changes in the 2009/10 capital programme as follows:
 - Slip £2,281k of projects into 2010/11 capital programme and review as part of the 2010/11 budget process
 - Slip forward £13k of budget from the 2010/11 profiles to meet expenditure to be incurred in 2010/11.
 - Release £173k of expenditure from the capital budget as a result of savings identified on a number of schemes and use £82k for a supplementary estimate for the 2 schemes detailed in 2.11.
- 3) To note the Q2 performance against 2009/10 investment strategy

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 reports includes the position at Q2.
- 1.2 The revenue and capital expenditure in Q2 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 A review of the treasury performance for Q2 is also included within this report.

Conclusion

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

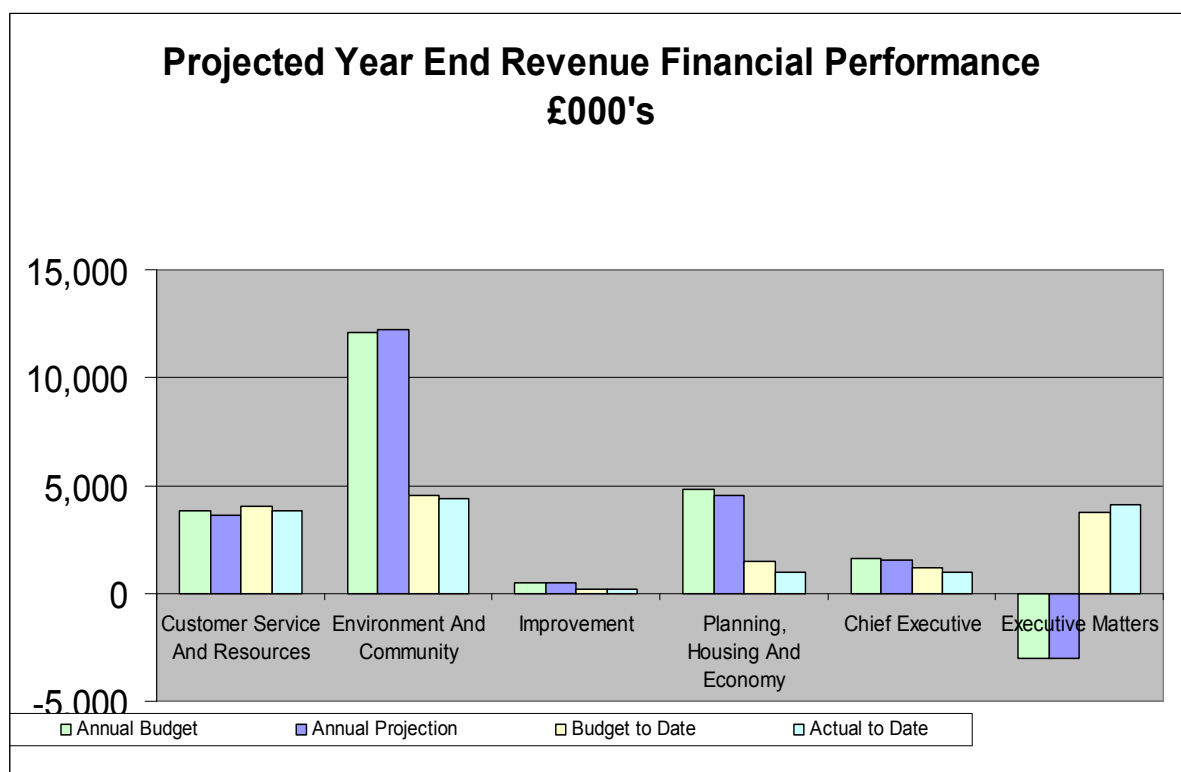
Background Information

Revenue and Capital Position at 30 September 2009

- 2.1 The Dashboard Revenue Report for September 2009 shows an underspend against budget of (£317k.) This can be split between an overspend in services to date of (£572k) and reduced investment income of £255k. The majority of the under spends in services relate to timing issues and profiling.
- 2.2 Total capital spends to September 2009 including commitments amount to £9.6M. This represents 36% of total YTD budget and 73% of the periodic budget.

Revenue Projected Outturn 2009/10

SEPTEMBER 2009 PROJECTIONS	Full-Year Budget 2009/10 £000's	Projected Out-turn 2009/10 £000's	Projection Variance 2009/10 £000's
DIRECTORATES			
Customer Service & Resources	3,804	3,591	(213)
Environment & Community Improvement	12,059	12,221	162
Planning Housing & Economy	461	473	12
Chief Executive	4,787	4,545	(242)
	1,600	1,535	(65)
Net Expenditure Services	22,711	22,365	(346)
Reduction in Investment Income		545	545
Offset by Interest Risk Reserve		(500)	(500)
Executive Matters – increase of specific reserves		301	301
	22,711	22,711	0
Net Revenue Projected Overspend @Sept 09			0



- 2.3 We are currently projecting to be on track to budget at the year end. This assumes that the reduction in investment income will be met from the earmarked interest rate reserve and the underspends at Q2 within the CSR and PHE Directorates remain to offset income reductions in EAC.

- 2.4 The overspend in Environment and Community primarily relates to income shortfalls in market rents (£110k) and car park income (£100k) relating to closure of bays due to Spiceball works and the pedestrianisation project. However this is partly offset by additional income received from Excess Charges of approx £80K
- 2.5 The underspend in Customer Service and Resources primarily relates to projected underspends within Exchequer services of (£73K) and increased income within land Charges of (£68K) and reduction of associated costs of £29K. Other underspends within Customer Services & ICT total £31K.
- 2.6 The underspend in Planning, Housing and Economy relates to salary savings (£136K) in Building Control and Affordable Housing and Housing due to vacancies with some partial offset from agency costs. There are also additional savings projected within Housing of up to £150K through OSLA, the Rent Deposit Scheme and reduced maintenance costs.
- 2.7 There has been utilisation of the ICT, Interest and Corporate Change reserves during the first 6 months and these reserves have been increased in the projections by £300k to fund further expenditure in the final 6 months of the year.
- 2.8 The reserves will be reviewed in detail as part of the Q3 projection.

Capital Projection 2009/10

SEPTEMBER 2009 PROJECTIONS	Full- Year Budget 2009/10 £000's	Projected Out-turn 2009/10 £000's	Projection Variance 2009/10 £000's
DIRECTORATES			
Customer Service & Resources	1,224	1,046	(178)
Environment & Community	4,039	3,729	(310)
Sports Centre Modernisation	12,140	12,140	0
Planning Housing & Economy	9,828	8211	(1,617)
Chief Executive	38	38	0
	27,269	25,164	(2105)

Analysed:-

Slippage to 10/11 programme	(2281)
Savings for 09/10 programme	(173)
Supplementary Estimate	82
Overspend in 09/10 programme	304
Backwards slippage from 10/11 programme	13

- 2.9 The projected spend for capital schemes at Q2 taking into consideration the observations detailed below is £25.1M of which £12.1 relates to the Sports Centre Modernisation Project. A detailed listing of schemes can be seen in Appendix 1.

2.10 Assurance has been sought from Service Heads to ensure that schemes are started according to budgeted profile and have been reviewed by the Finance Management Panel and Capital Investment Delivery Group.

Key Observations to date:-

- **ICT capital programme** – all projects have been reviewed in line with the recent ICT review and expenditure has been directed at priority projects. There is now a proposed slippage to 10/11 of £125K. This may be required in 2009/10 but will be part of a report to the executive in December 2009.
- **Replacement Cabling Infrastructure (Fibre City)** – Approved Budget £190K. This project will now be deferred until 2010/11 due to the impact of the current economic climate on the third party provider. It is proposed that £95K of this underspend in 09/10 is utilised to fund the Community Intelligence Hub project. Balance sheet reserves which had previously been identified to fund this project are no longer available. The remaining £95K is proposed for slippage into 10/11.
- **Vehicle Replacement** – there will be a £42k saving.
- **Food Waste Recycling** – will require £100k less due to OCC contribution.
- **South West Bicester Sports Village** – £170k will be delayed until 2010/11 and is therefore proposed as slippage.
- **Implementation of Banbury Residents Parking Sign** – Budget for 09/10 £30K – projected expenditure £5K therefore £25K available for release.
- **Bridge Street Upgrade** – has overspent against budget by £177K however this is being fully funded by the PCT in the form of a loan agreement which includes interest.
- **Banbury and Bicester Pedestrianisation Schemes** – will be £985K and £25k respectively behind on annual profile and looking to carry forward to 2010/11.
- **Thorpe Lane Depot Refurbishment** – will be £834k behind on annual profile and looking to carry forward to 2010/11.
- **Castle Quay Refurbishment** – will be £40k overspent. This project is being run by Scottish Widows and part funded by CDC. The profiling of expenditure is therefore difficult to control. Any overspends will be met through increased rental income from retail areas.
- **Woodgreen Leisure Centre** – There is a projected overspend of £57K. The project total budget was £1.4M therefore this overspend represents approx 3%.
- **Access to Highfield Depot** – Budget of £22k is proposed for slippage into 10/11.

- **Depots – Redevelopment/Changes** – Budget of £26k with no proposed spend in 09/10, available for release.
- 2.11 The following 2 schemes require additional expenditure and a supplementary estimate is required for £82k.
- **Willy Freund Youth Centre Refurbishment.** – It was anticipated that all expenditure against budget would be incurred in 08/09 therefore no slippage was requested. However due to planning consent requirements work could not commence until this current year. The balance remaining on the project in 08/09 - £32K is now required in 09/10.
 - **Street Scene Replacement Programme** - Commitments were raised for expenditure for 08/09 against the budget of £50K, however the commitments were subsequently cancelled so all expenditure is now reflected in the current year. The budget available for 09/10 - £40K is already committed for a different program of work. The unspent budget from 08/09 is now required in 09/10.

Efficiencies

- 2.12 The latest projection is that we will achieve £693,000 of efficiencies against our target of £600,000. This figure has been reported into the Hub for NI179. A detailed listing of efficiencies will be included in the Q3 report.

Treasury Performance Quarter 2 2009/10

- 2.13 The actual return on investments for the quarter to September 2009 was £1,204k compared with a budget of £1,412 a variance of £208k. The primary reason for the variance is the current base rate of 0.5%. At the time of setting the 2009/10 budget the assumption was that a minimum level of 2% would be achieved for all new loans entered into.
- 2.14 The other major problem in quarter 2 has been cash flow in that we have had to pay out much larger capital payments than expected. This has meant that more money has been kept in RBS (at a lower interest rate) rather than being lent out on the Money Market.

2009/10 Budget by Fund Manager

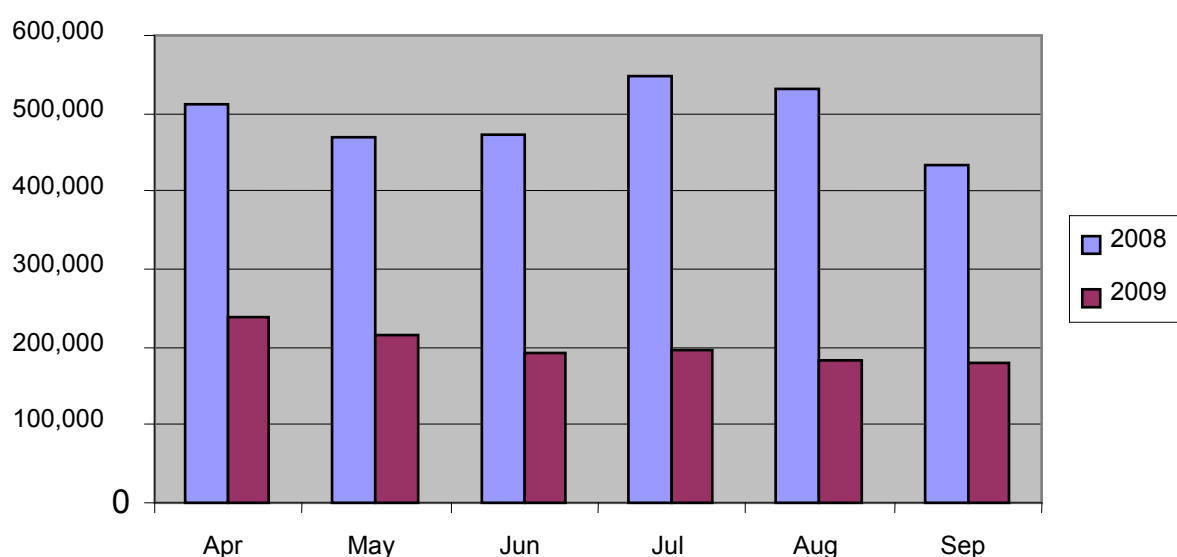
Fund	Amount Managed	Average % rate	Interest Receivable	Monthly equivalent
TUK	29,000,000	4.93%	1,429,153	119,096
Investec	26,230,000	2.81%	736,038	61,336
In House (avg)	29,000,000	2.28%	660,388	55,032
Total	84,230,000	3.35%	2,825,579	235,464

The actual return on investments by Fund manager can be seen below:

Fund	Amount at 30 Sept 2009	Q2 Interest Budget	Q2 Actual Interest	Variance	Rate of return %
TUK	29,000,000	714,576	730,367	15,790	5.04
Investec	26,230,000	368,019	229,616	-138,403	1.84
In House	21,968,383	330,194	244,082	-86,112	1.95
Total	77,198,383	1,412,789	1,204,065	-208,725	3.02

- 2.15 The performance is in line with expectations and within budget tolerances.
- 2.16 For the first time since 2003 but in line with policy Cherwell had a need to borrow funds in September 2009. This was not due to a cash shortage, but rather timing of receipts and payments. We borrowed £4m from Nottingham Police Authority for 3 weeks at an interest rate of 0.26%. This has since been repaid.
- 2.17 The drop in interest received by the Council in the first six months of the financial year compared with the same six months last year can be better seen in the graph below.

Interest Received Apr-Sep 2008 and 2009



Icelandic Investments

- 2.18 We have produced our claim in relation to our investments with the failed Icelandic Bank Glitner and this has been reviewed by legal firm Bevan Brittan. The claim is for the return of the £6.5m principle, interest up to 22nd April 2009 amounting to £832k and a claim for legal costs.
- 2.19 We will meet with the LGA to discuss preferential creditor status on 6th November 2009 and the administration committee of the bank is expected to review claims on 17 December 2009.
- 2.20 According to the latest information available if the preferential creditor status is upheld we would expect to receive payments prior to 31st March 2010.

Key Issues for Consideration/Reasons for Decision and Options

- 3.1 This report illustrates the Council's performance against the 2009/10 Revenue and Capital Budget and includes details of Treasury Performance as at Qtr 2 – September 2009

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 consider 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 was reported to the Accounts, Audit and Risk Committee on 26th October 2009.

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 2009/10 was based on a number of efficiencies carrying forward from Gershon and achieving our targets for 2008/09. In addition to our own internal efficiency targets we also have to meet the Governments 3% efficiency target – National Indicator 179. Not all of our efficiencies can be counted towards this target and the latest position is that we will achieve £693,000 compared to a target of £600,000.

Comments checked by Karen Muir, Corporate System Accountant 01295 221559

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 Rosemary Watts, Insurance and Risk Manager, 01295 221566.

Wards Affected

All

Corporate Plan Themes

An Accessible and Value for Money Council

Executive Portfolio

Councillor James Macnamara
Portfolio Holder for Resources

Document Information

Appendix No	Title
Appendix 1	Capital Programme 2009/10 Update
Background Papers	
2009/10 Budget Booklet 2009/10 Capital Asset Strategy Medium Term Financial Strategy 2009/10 Investment Strategy CIPFA Treasury Management Code of Practice	
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