

Executive

2009/10 Projected Revenue & Capital Outturn at
31 December 2009

1 February 2010

Report of Head of Finance

PURPOSE OF REPORT

This report summarises the Council's Revenue and Capital performance for the first 9 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 considers progress against the 2009/10 Procurement Action plan which contributes to our annual efficiency target.

This report is public

Recommendations

The Executive is recommended:

- (1) To note the projected revenue & capital position at December 2009.
- (2) To approve the changes in the 2009/10 capital programme as follows:
- (3) Slip £2,734K of project funding into the 2010/11 capital programme (detailed in Appendix 1) and consider this as part of the 2010/11 budget process
- (4) To note the contents and the progress against the procurement action plan (detailed in Appendix 2).

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 Q3.
- 1.2 The revenue and capital expenditure in Q3 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 The Qtr 3 Treasury Management Performance Report is attached as an Appendix to 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.

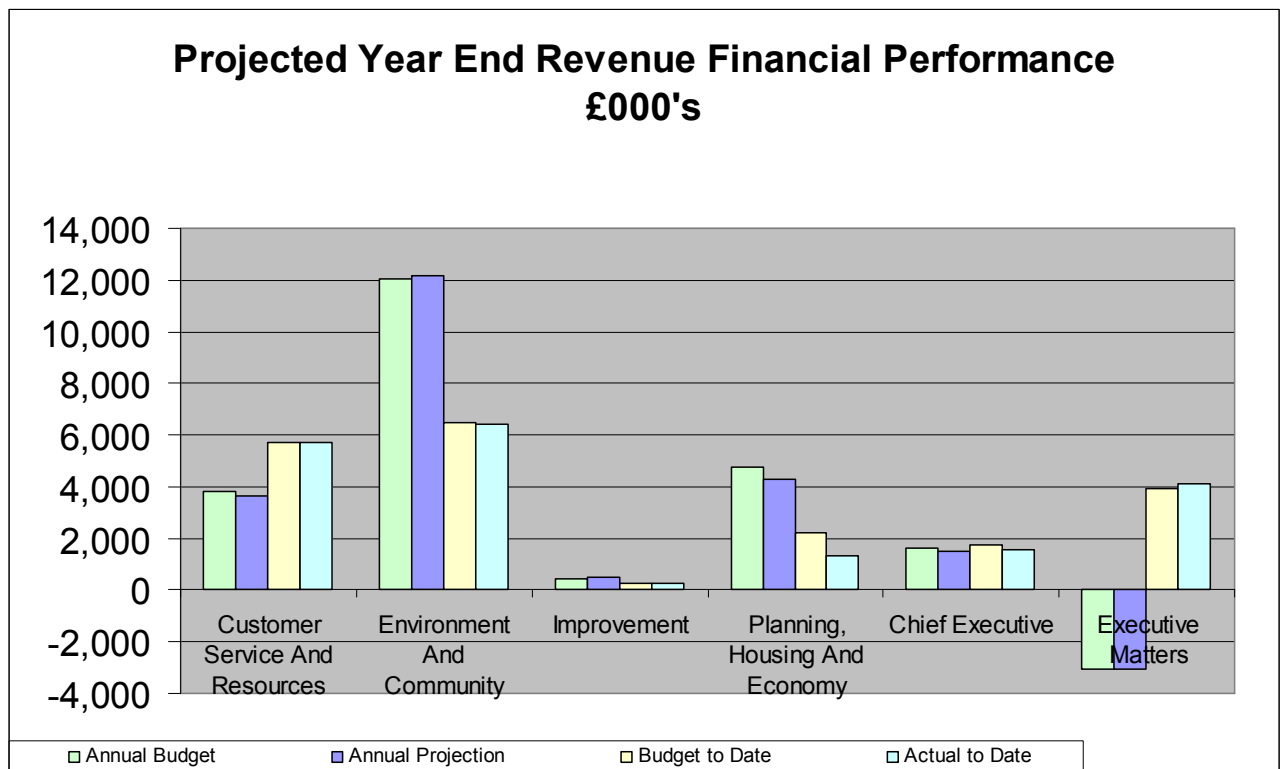
Background Information

Revenue and Capital Position at 31st December 2009

- 2.1 The Dashboard Revenue Report for Dec 2009 shows an underspend against budget of (£741k). This can be split between underspends in services to date of (£0.98m -- £306k as a result of NNDR profiling) offset by reduced investment income of £470k.
- 2.2 Total capital spend to December 2009, including commitments, amounts to £15.5M. This represents 57% of the total annual budget and 77% of the periodic budget.

Revenue Projected Outturn 2009/10

DECEMBER 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	3,801	3,621	(180)
Environment & Community Improvement	12,059	12,174	115
Planning Housing & Economy	463	475	12
Chief Executive	4,787	4,316	(471)
	1,600	1,530	(70)
Net Expenditure Services	22,710	22,116	(594)
Reduction in Investment Income		600	600
Offset by Risk reserve		(600)	(600)
Review of Reserves		594	594
	22,710	22,710	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 Q3 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). Car park income is also reduced as a result of recent weather conditions and closure of car parks during sports centre modernisation works however this is offset in part by increased excess charge income and reduced costs elsewhere. Additional savings of £29K have also been made within Safer Communities in respect of CCTV maintenance and Data Communications. The recent weather has also increased staff and agency costs within Environmental Services by approximately another £30K to clear the backlog of bin collections due to snow.
- 2.5 The underspend in Customer Service and Resources primarily relates to increased income within Land Charges (£62K) and reduced Legal Fees of £40K . Savings within Business Services equate to £51K being a combination of reduced accommodation costs and savings on energy (£31K) and security (£14K)
- 2.6 The underspend in Planning, Housing and Economy primarily relates to increased Planning Fee Income (£131K) , due to an unprecedented (£162K) being received in November and (£90K) in December. Additional savings have been made in salary costs and other operational costs across the directorate. There is also a projected saving of £60K on the costs of the rent deposit scheme within Housing.

- 2.7 The underspend in Chief Executives primarily relates to projected underspends in training (£50K) and savings within Community Planning through projects coming in under budget.

Treasury Performance Quarter 3 2009/10

- 2.8 The actual return on investments for the quarter to September 2009 was £1,664k compared with a budget of £2,119 a variance of £456k. 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 during 2009/10.

- 2.9 The budget was split as follows:

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

- 2.10 The actual return for the 9 months ended December 2009 is:

Fund	Amount at 31 Dec 2009	Q3 Interest Budget	Q3 Actual Interest	Variance	Rate of return %
TUK	29,000,000	1,071,864	1,022,730	(49,134)	4.83
Investec	26,230,000	552,028	307,485	(244,543)	1.62
In House	19,100,383	495,291	333,315	(161,976)	1.90
Total	74,330,383	2,119,184	1,663,530	(455,651)	2.83

- 2.11 The variance is expected to be in the region of £600,000 by the end of this financial period and results in a variance to 2008/09 of circa £1m.
- 2.12 The interest rate decline has been continually monitored and as a result an interest rate risk reserve was created as part of the review of reserves in conjunction with the preparation of the 2008/09 statutory accounts. The reserve balance is £600k and latest projections show that this is will meet the budgeted shortfall. The net result is that the shortfall will be covered form this specific reserve.
- 2.13 Compliance with the investment strategy has been monitored regularly by the Accounts, Audit and Risk Committee. The Q3 full review was taken to this committee on 20 January 2010.

Icelandic Investments

- 2.9 We produced our claim in relation to our investments with the failed Icelandic Bank Glitnir and this has been considered by the winding up board.
- 2.10 The winding up board of the bank has not accepted the claim as a priority creditor and as such any unsecured claim might only return 31% of the principle.

- 2.11 The LGA represented by Stephen Jones, Director of Finance and Performance, attended the Glitnir creditors meeting in Iceland. At the meeting, which was constructive, the Glitnir winding up board acknowledged the objections lodged on behalf of local authorities to the decision to refuse priority status.
- 2.12 Local authorities' objections will now be considered under the processes followed under Icelandic insolvency law, and court action will be taken as necessary.

The LGA is confident that local authorities' priority status as depositors will in due course be secured.

Capital Projection 2009/10

- 2.13 The projected spend for capital schemes as at December 2009, taking into consideration the observations detailed below, is £19.3 m of which £9.3m relates to the Sports Centre Modernisation Project.

DECEMBER 2009 PROJECTIONS	Full- Year Budget 2009/10 £000's	Projection 2009/10 £000's	Projection Variance 2009/10 £000's
DIRECTORATES			
Customer Service & Resources	1,499	948	551
Environment & Community	4,039	3,460	579
Sports Centre Modernisation	12,140	9,325	2,815
Planning Housing & Economy	9,059	5,512	3,487
Chief Executive	38	38	0
	26,775	19,343	6,937

SUMMARY:

Annual Budget	26,775
Less slippage agreed at Nov Exec	(2,281)
Less slippage to be agreed at Feb Exec	(2,734)
SCM reconciliation – slippage at 2008/09 over estimated	(1,722)
Net Savings on plan	(696)

Projected spend at end of 09/10	19,343
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- 2.14 Assurance has been sought from Service Heads to ensure that schemes are started according to budgeted profile and will be monitored monthly through budget monitoring, the Finance Management Panel and Capital Investment Delivery Group.

- 2.15 A detailed review of the Capital programme was conducted for Quarter 3 and approval from Executive is sought for the slippage of 09/10 projects into the 10/11 programme as detailed in the attached Appendix 1

Procurement Action Plan 2009/10

- 2.16 The update report attached in Appendix 2 demonstrates that the 2009/10 Corporate Procurement Programme targets are on track to be delivered although due to the work required on the Banbury Health Centre project, outsourcing of the back office functions of the revenues and benefits service and VFM projects we have made amendments to the milestone dates.
- 2.17 In terms of cashable savings the target of £200,000 has been exceeded, non cashable savings of £35,000 achieved and the impact of the procurement process on our capital programme has reduced Council expenditure by circa £300,000.

Efficiencies

- 2.18 The final efficiencies for 2008/09 have been calculated and NI179 was returned by the due date. The reported efficiency savings for 2008/09 were £1,634,872 (this is calculated as gains b/f of £736,631 plus new gains in 08/09 of £898,241)

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 the latest update against the 2009/10 action plan.

The following options have been identified. The approach in the recommendations is believed to be the best way forward

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|-------------------|---|
| 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 20th January 2010.

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 and Organisational Development

Document Information

Appendix No	Title
Appendix 1	Capital Programme 2009/10 Update
Appendix 2	Procurement Action Plan 2009/10
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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