

Draft Revenue 2008/09 Outturn and Analysis

Background

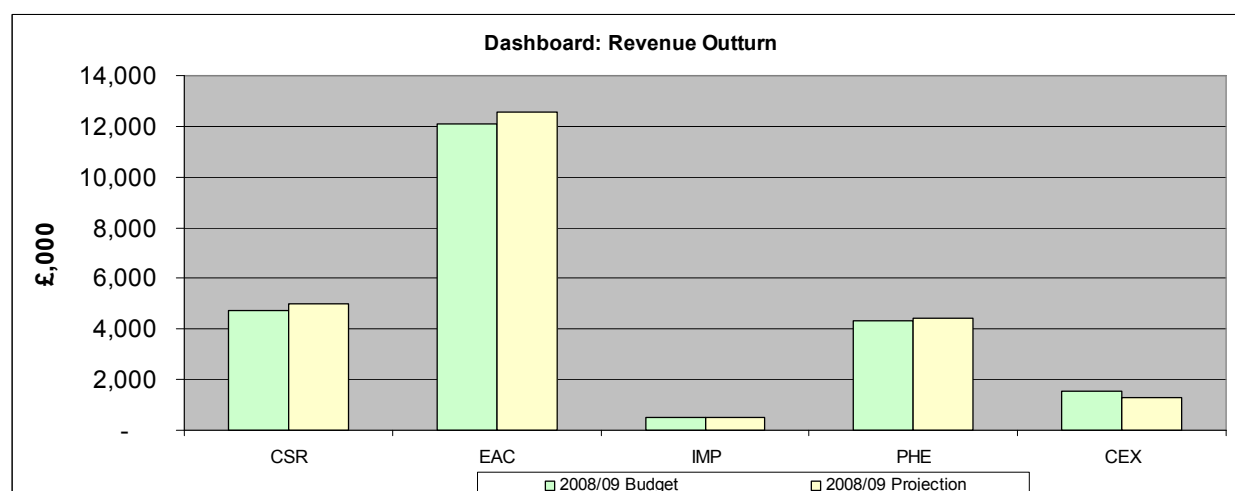
- 1.1 In line with good practice budget monitoring is undertaken on a monthly basis within the Council. The revenue and capital position is reported monthly to the Corporate Management Team and formally to the Executive on a quarterly basis. This is the Q4 provisional outturn report for financial year 2008/09.

General Fund Revenue Budget

- 1.2 The draft General Fund Revenue budget is shown below. The draft outturn presented illustrates an overspend of £507,062 representing a budget variance of 2%.

	Adjusted Budget 2008-09 £,000	Draft Outturn 2008-09 £,000	Variance £,000	Variance
SERVICE EXPENDITURE				
Services	24,430,827	25,023,889	593,062	2%
Capital Charges Reversed	-1,228,310	-1,228,310	0	0%
Net Expenditure Services	23,202,517	23,795,579	593,062	3%
Reserves and Provisions	-1,799,066	-1,489,909	309,157	-17%
	21,403,451	22,305,670	902,219	4%
Investment Income	-5,030,455	-5,425,612	-395,157	8%
Government Grant	-10,310,045	-10,310,045	0	0%
Collection Fund	-101,591	-101,591	0	0%
Council Tax	-5,961,360	-5,961,360	0	0%
	-21,403,451	-21,798,608	-395,157	2%
Provisional Overspend	0	507,062	507,062	

- 1.3 The performance by Directorate against budget can be seen in the chart below:



1.4 The overspend in services of £593,062 is split between directorates as follows:

Directorate	2008/09 Budget	2008/09 Projection	Variance	%	Primary Driver
	£,000	£,000	£,000	£,000	
CSR	4,724	4,969	245	5%	Land Charges income reduction
EAC	12,090	12,554	464	4%	Concessionary Fares and fuel
IMP	522	530	8	2%	
PHE	4,337	4,431	94	2%	Planning Income reduction offset by Housing VFM savings
CEX	1,529	1,311	-218	-14%	Reduction in training, design & communications budget
Services	23,202	23,795	593	3%	

Economic Impact

1.5 The downturn in the economy has given rise to a number of unanticipated budget pressures. One of the most immediate impacts of the credit crunch in Cherwell, like elsewhere, is the housing market slowing rapidly. This has seen a reduction in the current year of planning and land charge income. In addition we have faced significantly increased fuel costs and gate fees. There is also rising pressure on a number of Council services, notably benefits and a rise in homelessness will be expected. These factors have resulted in additional unforeseen costs of £494,000 (83% of total overspend) as per the table below:

Economic Reasons (net of provisions)	£,000
Planning Income	290
Land Charges	123
Fuel	50
Gates Fees	31
	494

Investments in Iceland

1.6 We have £6.5m in one of the failed Icelandic banks - Glitner, with accrued interest to the end of the 2008/09 year due yet to be paid of £551k. These were long term investments and we were not expecting either the capital or the interest imminently. The fact that we have no access to this money at the

moment makes absolutely no difference to our ability to deliver services or meet operational costs.

- 1.7 Whilst this money is currently deemed at risk, we have for the purpose of this projection assumed the worst and assumed £551k of interest accrued relating to these loans for the period up to 31 March 2009 will not be received. This loss is compensated for by the interest gains achieved to September 2008.

Other Key Variances

- 1.8 Concessionary Fares has generated a variance of £372,000 compared to budget. This is due to the increased usage of the scheme and the impact of fuel costs to suppliers. The impact for the 2009/10 budget is currently being reviewed.

Budget Mitigations

- 1.9 The increased focus on budget monitoring and introduction of the “dashboard” has enabled more efficient use of the Council’s resources and enabled action to be taken to mitigate against the economic issues and concessionary fares.
- 1.10 A number of compensatory actions have been taken to partly offset the impact of the downturn in the economy, concessionary fares and the potential interest impact of the investment in the failed Icelandic bank. These have included freezing vacancies, reducing agency costs and delaying or cancelling any discretionary expenditure.

Summary

- 1.11 The variances on the revenue and are within the Council’s stated tolerances and within 2% of budget provision.
- 1.12 The General Fund reserve of £1.95m is adequately funded to meet this deficit.
- 1.13 The Council continues to make excellent progress on delivering against its revenue budget. Our financial performance in terms of revenue performance; in the context of the one of the most challenging economic climates of our times is an area we can be proud of. Our performance demonstrates our ability to be nimble in responding to changing circumstances, improved capacity to deliver sizeable capital programmes and effective financial management.
- 1.14 The information in this report is in the format used for budget monitoring purposes and as reported to the Executive quarterly. It does not reflect the various accounting adjustments that are required to comply with the Statement of Recommended Practice (for example the various pension adjustments required by Financial Reporting Standard 17) nor is it in the same format as the statutory Financial Statement. These statements will be adopted by the Accounts, Audit and Risk Committee on 24th June 2009 and then subsequently approved after audit clearance in September 2009. A detailed analysis of income and expenditure will be included within these accounts.