

Executive

2009/10 PROJECTED REVENUE & CAPITAL OUTTURN AT 30 JUNE 2009 AND 2008/09 TREASURY MANAGEMENT ANNUAL REPORT

3 August 2009

Report of Head of Finance

PURPOSE OF REPORT

This report summarises the Council's Revenue and Capital performance for the first 3 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.

To receive information on treasury management performance and compliance with treasury management policy during 2008/9 as required by the Treasury Management Code of Practice. This reports also reviews the treasury performance in Q1 2009/10.

This report is public

Recommendations

The Executive is recommended:

- 1) To note the projected revenue & capital position at June 2009.
- 2) To note the performance against the 2008/09 investment strategy and the financial returns from each of the 3 funds detailed in Appendix 1 and 2.
- 3) To note the Q1 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 Q1.
- 1.2 The revenue and capital expenditure in Q1 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 CIPFA Code of Practice on Treasury Management which this Council has adopted requires an Annual Report to be presented to the Executive at the end of each financial year. This report is included in Appendix 1.

Conclusion

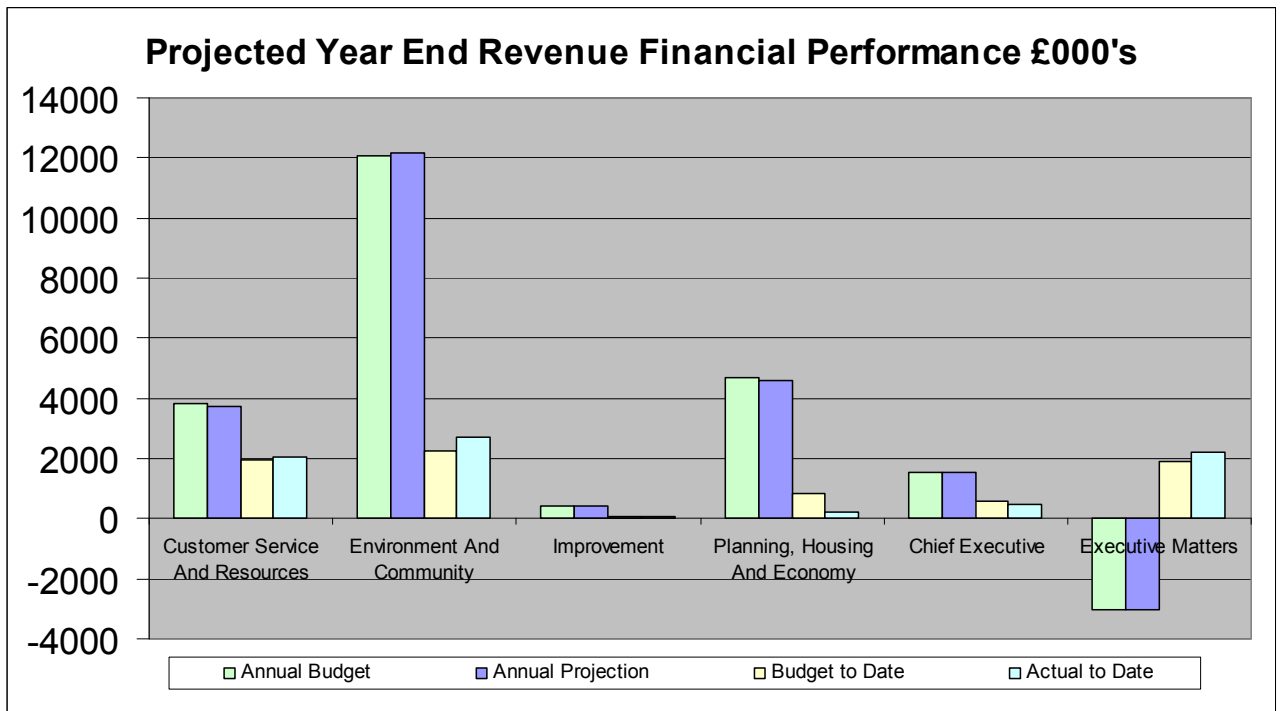
- 1.4 Due to the downturn in the economy, impact of the credit crunch on Council services and the volatility of the financial markets, the Council is keeping a watching brief on any challenges that they may need to face which may result in a redirection of budgets.
- 1.5 The variances on the revenue 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.
- 1.7 The Council's investment performance was 0.73 % higher than anticipated in the 2008/09 budget and the approved policy was adhered to throughout the financial year.

Background Information

Revenue and Capital Position at 30 June 2009

- 2.1 The Dashboard Revenue Report for June 2009 shows an overspend against budget of £159k. This can be split between an overspend in services to date of £99k and reduced investment income of £60k. The majority of the overspends in services relate to timing issues and profiling. These will be updated in Q2 report.
- 2.2 Total capital spends to June 2009 including commitments amount to £4.0m. This represents 15% of total YTD budget and 60% of the periodic budget.

Revenue Projections 2009/10



Directorate	Projected Under / Over Spend
Customer Service & Resources	£-96,000
Chief Executives	£0
Improvement	£0
Environment & Community	£209,000
Planning Housing & Economy	£-113,000
Investment Income	£-400,000
Investment Risk Reserve	£400,000
Projection	£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 in Q1 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 bulky waste (£15k), market rents (£100k) and car park income (£98k) relating to closure of bays due to Spiceball works and the pedestrianisation project.
- 2.5 The underspend in Customer Service and Resources relates to savings in Business Services relating to the redundant Head of Service Post (£80k) and salary savings in Exchequer (£17k) offset by the external support contract to assist benefit processing.

- 2.6 The underspend in Planning, Housing and Economy relates to salary savings (£113k) in Building Control and Affordable Housing due to vacancies with some partial offset from agency costs.

Capital Projection 2009/10

Summary	Q1 Budget £,000	Q1 Actual £,000	Variance £,000	Full Year Budget £,000	Projection £,000
Customer Service & Resources	£177,000	£183,000	£6,000	£1,224,000	£1,224,000
Environment & Community	£849,000	£690,000	£-159,000	£4,039,000	£4,039,000
Planning Housing & Economy	£2,721,000	£713,000	£2,008,000	£9,828,000	£9,828,000
Sports Centre Modernisation	£3,035,000	£2,375,000	£-660,000	£12,140,000	£12,140,000
Chief Executives	£10,000	£0	£-10,000	£38,000	£38,000
			£0		
			-		
	£6,792,000	£3,961,000	£2,831,000	£27,269,000	£27,269,000
% of Q1 Budget		58%			
% of YTD Budget		15%			

- 2.7 The projected spend for capital schemes in Q1 taking into consideration the observations detailed below is £27.3m of which £12.1 relates to the Sports Centre Modernisation Project.
- 2.8 Assurance is being 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.
- 2.9 The Q2 report in October 2009 will give consideration to any revisions to the capital programme in light of any schemes that have slipped or are no longer required.

Annual Treasury Performance 2008/09

- 2.10 The actual return on investments for 2008/09 was £5.9m compared with a budget of £5.1m a favourable variance of £0.8m. The budget was based on an average investment balance of £96m and an interest rate of 5.3 %. The actual average balance was £103m which attracted an average return of 6.03 %.
- 2.11 A summary of performance is included in Appendix 1 and commentary from our treasury advisors in performance is included at Appendix 2.

Treasury Performance Quarter 1 2009/10

- 2.12 The actual return on investments for the quarter to June 2009 was £646k compared with a budget of £706k a variance of £60k. 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. This has not been the case for in-house deals.

2009/10 Budget by Fund Manager

Manager	Amount Managed	Avg rate %	Interest Receivable	Monthly equivalent
TUK	29,000,000.00	4.93%	1,429,153.00	119,096.08
Investec	26,230,000.00	2.81%	736,038.00	61,336.50
In House avg	29,000,000.00	2.28%	660,388.28	55,032.36
	84,230,000.00	3.35%	2,825,579.28	235,464.94

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

Fund	Amount at 30 June 2009	Q1 Interest Budget	Q1 Actual Interest	Variance	Rate of return
TUK	29,000,000.00	357,288.25	371,488.40	14,200.15	5.1500%
Investec	26,230,000.00	184,009.50	141,064.58	-42,944.92	2.1500%
CDC	24,074,794.52	165,097.07	133,940.79	-31,156.28	2.1000%
Total	79,304,794.52	706,394.82	646,493.77	-59,901.05	3.2035%

- 2.14 The revised investment strategy was approved at Full Council on July 21st 2009 and as a result of the minor amendments we will meet with fund managers and our treasury advisors in August 2009. As part of this meeting we will discuss what mitigating action can be taken to address the shortfall in interest.
- 2.15 The interest rate decline has been 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 statutory accounts. The reserve balance is £500k and latest projections show that this is adequate to meet the budgeted shortfall.

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 annual report on fund manager performance in 2008/09 and Q1 of 2009/10.

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.

The investment strategy has been subject to regular review with Members, Corporate Management Team and PWC over the last 3 months as part of the revised investment strategy.

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 Government's 3% efficiency target – National Indicator 179. Not all of our efficiencies can be counted towards this target and the finance team are therefore undertaking an exercise to allow progress against the Government target to be monitored.

Comments checked by Karen Muir, Service Accountant 01295 221545.

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.

It is essential that the treasury annual report is considered by the Executive as it demonstrates that the risk of not complying with the Council's Treasury Management Strategy has been avoided in 2008/09.

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	Treasury Management Annual Report 2008/09 - Document to follow
Appendix 2	Fund Manager Review – Fourth Quarter 2008/09
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	
Report Author	Karen Curtin, Head of Finance
Contact Information	01295 221551 karen.curtin@cherwell-dc.gov.uk