

## Draft Revenue 2010/11 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 2010/2011.

### General Fund Revenue Budget

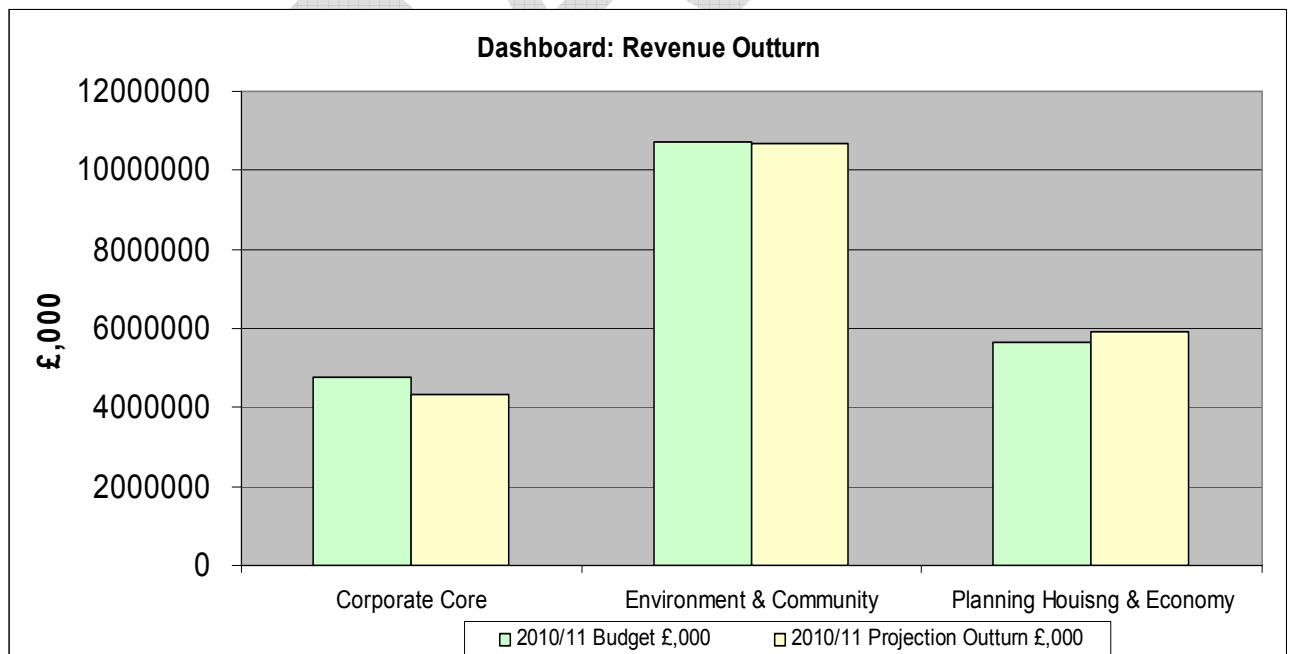
- 1.2 The draft General Fund Revenue budget is shown below.

	Adjusted Budget 2010-11 £	Draft Outturn 2010-11 £	Variance £	%
<b>SERVICE EXPENDITURE</b>				
<b>Services</b>				
Corporate Core	4,771,275	4,336,341	-434,934	-9%
Environment & Community Planning , Housing & Economy	10,739,549	10,669,648	-69,902	-1%
	5,656,750	5,930,656	273,907	5%
<b>Services Total</b>	<b>21,167,574</b>	<b>20,936,645</b>	<b>-230,929</b>	<b>-1%</b>
Capital Charges Reversed	-3,278,962	-3,278,962	0	
<b>Net Expenditure Services</b>	<b>17,888,612</b>	<b>17,657,683</b>	<b>-230,929</b>	<b>-1%</b>
<b>Reserves and Provisions</b>	<b>638,914</b>	<b>956,351</b>	<b>317,438</b>	<b>50%</b>
	<b>18,527,526</b>	<b>18,614,034</b>	<b>86,508</b>	<b>0%</b>
Investment Income	-1,348,753	-1,376,330	-27,577	2%
Government Grant	-10,905,340	-10,905,340	0	0%
Collection Fund	-84,477	-84,477	0	0%
Council Tax	-6,188,956	-6,188,956	0	0%
	<b>-18,527,526</b>	<b>-18,555,102</b>	<b>-27,576</b>	<b>0%</b>
<b>Provisional Underspend</b>	<b>0</b>	<b>58,932</b>	<b>58,932</b>	

- 1.3 The draft outturn presented above illustrates an overall overspend of £58,932 representing a budget variance of 0.3%.
- 1.4 There is an underspend within Service Expenditure of £230,929 – this is shown in detail in the chart below and corresponding table. At the start of the financial year members made it clear that as well as addressing the financial deficit for future years, expenditure in the current year should be reduced where possible in order to replenish general fund balances and provide further one-off funds to deliver future savings as part of the medium term financial strategy.
- 1.5 The Service Expenditure forecast Outturn throughout the year predicted the following:-
- **Quarter 1** £0.07m underspend
  - **Quarter 2** £0.23m underspend

- **Quarter 3** £0.36m underspend
- **Provisional Quarter 4** £0.23m underspend

- 1.6 The provisional Outturn at Quarter 4 has moved from our Quarter 3 projection as it takes into account adjustments required to be in line with the requirements of IFRS (International Financial Reporting Standards). The council has had to adopt these new accounting principles within its accounts for the first time this year. As such, adjustments have been made in relation to accounting for Grants and Contributions received.
- 1.7 The underspend against budget has arisen through a variety of reasons. With the key drivers detailed on a Directorate level in the table below. In addition to increased income levels and reduced expenditure the movement also represents the outcome of the completion of several value for money reviews that have been undertaken in 2010/11 and delivered in year savings.
- 1.8 In 2010/11 the VFM Review Programme comprised 10 reviews which involved re-visits of previous high cost services as well as reviews of large areas of spend not previously subject to a review. The review areas included Housing, Recreation and Sport, Culture and Heritage, Planning Policy, Development Control, ICT, Urban and Rural Services, Democratic Services, Corporate Strategy and Performance and Customer Services.
- 1.9 The performance by Directorate against budget can be seen in the chart below:



- 1.10 The underspend in services of **£230,929** is split between directorates as follows:

Directorate	2010/11 Budget	2010/11 Projection Outturn	Variance	% Variance	Primary Drivers
	£'s	£'s	£'s		
<b>Corporate Core</b>	4,771,275	4,336,341	-434,934	-9.1%	<ul style="list-style-type: none"> <li>Reduction in Court Costs recovered – Finance £108K offset by Increased Rent Allowances (£54K) / Council tax and NNDR Subsidy adjustments (£133k)</li> <li>Legal &amp; Democratic Services – VFM savings (salaries , Fees , Books and Publications etc )/ Additional grant and fee income – net reduction (£296K)</li> <li>People &amp; Improvement – Training underspends (£53K) and JE underspends (£26k)</li> <li>Additional External Audit fees and bank charges £87K</li> </ul>
<b>Environment &amp; Community</b>	10,739,549	10,669,648	-69,902	-0.7%	<ul style="list-style-type: none"> <li>Reduction in Car Park income £208K</li> <li>Reduction in landscape Agency re-imbursements, car park contributions received and Insurance Income (£178K).</li> <li>Savings in salaries / supplies and services and Maintenance across Safer Communities Urban &amp; Rural services (£84K) Increased landscape maintenance and NNDR £71K</li> <li>Environmental Services – Reduction in Consultancy and Salaries (£116K)</li> <li>Health &amp; Recreation – Increased Sports Centre Management Fees £91K and NNDR £40K offset by Salary Savings/ Increase in grants and course income of (£132K)</li> </ul>
<b>Planning Housing &amp; Economy</b>	5,656,750	5,930,656	273,907	4.8%	<ul style="list-style-type: none"> <li>IFRS accounting adjustments – Eco town and Housing Planning Delivery Grant funding. £385K</li> <li>Reduction in Rental Income in Regeneration and Estates £279K.</li> <li>Reduction in salaries and consultancy in Development Control and Major Developments of (£71K) and increased fee income of (£90K.).</li> <li>IFRS accounting adjustments – Housing - Grant Funding (£129K).</li> <li>Reduction in Salaries and related costs (£35K) Rent Deposits (£45K) and other efficiencies (£48K) Housing</li> </ul>
<b>TOTAL SERVICES</b>	<b>21,167,574</b>	<b>20,936,645</b>	<b>-230,929</b>	<b>-1.1%</b>	

1.11 The variance within reserves and provisions can be summarised as follows:-

<b>Reserves &amp; Provisions</b>	<b>Variance</b>	<b>Detail</b>
	<b>£'000's</b>	
Net Reserves & Provisions – unused as at 31-3-2011	237	Created as element of 2010/11 budget – not required.
IFRS transition adjustments	80	Net effect within Reserves and Provisions for IFRS adjustments.
Total – (as detailed above)	<b>317</b>	

1.12 There has been an overall net increase in projected interest receivable / payable of £28K which is related primarily to larger than budgeted cash balances.

### **Budget Mitigations**

1.13 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 promptly identify and mitigate against economic issues.

### **Investments in Iceland**

1.14 Cherwell District Council is one of at least 123 local authorities that have been affected by the collapse of Icelandic banking institutions. The Council has three deposits with the failed Icelandic bank Glitnir totalling £6.5 million. The bank was originally expected to confirm preferential creditor status to all UK local authorities meaning we would see the return of the full investment plus interest and costs during 2009/10.

1.15 However the bank's winding-up board is treating all local authority demands as general unsecured claims which would mean a return of only 29 per cent of the original investment only. All local authorities that have invested with Glitnir have been working with the Local Government Association and law firm Bevan Brittan to resolve this issue over the last 18 months.

1.16 On 1 April 2011 the Council was successful in the Icelandic Court in securing preferential creditor status but there remains the possibility of an appeal against this decision to the Icelandic Supreme Court so the final position cannot yet be stated with certainty.

1.17 The latest estimates provided by CIFPA in LAAP Bulletin 82 published in May 2011 indicate that total assets of the bank only equate to 29% of its liabilities. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 29p in the £ indicating a potential liability of £4.6 million.

1.18 Although the Council remains confident of getting 100% of its investment back a plan was drawn up to deal with any loss via a capitalisation request and use of the Council's reserves. This strategy was been built into the MTFS.

1.19 The Council has written off £4.6million in the 2010/11 accounts – should the decision stand and 100% recovery is made then this will be treated as windfall income in 2011/12 accounts.

- 1.20 We will continue to work with the Local Government Association and Bevan Brittan to achieve the best possible return from our investment within the shortest possible timescales.

### **Summary**

- 1.21 The variances on the revenue are within the Council's stated tolerances and within 2% of budget provision.
- 1.22 The General Fund reserve is adequately funded to meet the overall deficit.
- 1.23 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.
- 1.24 The information in this report is in the format used for budget monitoring purposes and as reported to the Executive quarterly. It does reflect the various accounting adjustments required for IFRS but not those 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 22<sup>nd</sup> June 2010 and then subsequently approved after audit clearance in September 2011. A detailed analysis of income and expenditure will be included within these accounts.