

Draft Revenue 2009/2010 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 2009/2010.

General Fund Revenue Budget

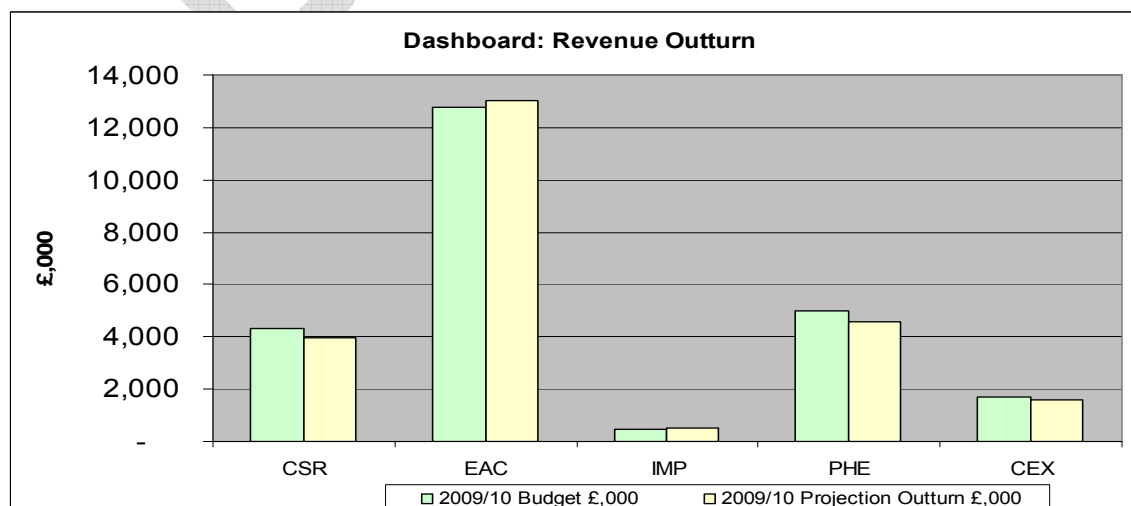
- 1.2 The draft General Fund Revenue budget is shown below.

	Adjusted Budget 2009-10 £,000	Draft Outturn 2009-10 £,000	Variance £,000	Variance
SERVICE EXPENDITURE				
Services	24,264,674	23,666,914	-597,760	-2%
Capital Charges Reversed	-3,082,663	-3,082,663	0	0%
Net Expenditure Services	21,182,011	20,584,251	-597,760	-3%
			0	
Reserves and Provisions	-2,071,968	-1,230,836	841,131	41%
	19,110,044	19,353,415	243,371	1%
Investment Income	-2,225,631	-2,074,517	151,114	7%
Government Grant	-10,610,609	-10,610,609	0	0%
Collection Fund	-108,313	-108,317	-4	0%
Council Tax	-6,165,491	-6,165,491	0	0%
	-19,110,044	-18,958,934	151,110	1%
Provisional Overspend	0	394,481	394,481	2%

- 1.3 The draft outturn presented above illustrates an overall overspend of £394,481 representing a budget variance of 2%.

- 1.4 There is an underspend within Service Expenditure of £597,760 – this is shown in detail in the chart below and corresponding table. The service underspends identified are after the cost of buy out of the Council's Car Scheme – totalling £684k.

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



1.6 The underspend in services of £597,760 is split between directorates as follows:

	2009/10 Budget £,000	2009/10 Projection Outturn £,000	Variance £,000	% Variance	Primary Drivers
CSR	4,343	3,988	- 355	-8.2%	<ul style="list-style-type: none"> • Buyout of council Car Scheme • Underspends in salaries and vacant posts • Reduced office accommodation and energy costs • Additional land charges income • Underspends in both Legal salaries and fees. • Additional subsidy arising from final subsidy Claim.
EAC	12,768	13,010	242	1.9%	<ul style="list-style-type: none"> • Buyout of council Car Scheme • Reduction in market income due to bankruptcy of existing provider • Reduction in car park income due to external economic pressures.
IMP	477	498	21	4.4%	<ul style="list-style-type: none"> • Buyout of council Car Scheme
PHE	4,993	4,596	- 397	-7.9%	<ul style="list-style-type: none"> • Buyout of council Car Scheme. • Increased planning fees in excess of budget (which had been set pessimistically given the economic climate) • Salary savings across the directorate. • Savings within Housing consultancy. • Savings - OSLA (Oxford Social Lettings Agency) • Savings - Rent deposit scheme.
CEX	1,684	1,575	- 109	-6.5%	<ul style="list-style-type: none"> • Buyout of council Car Scheme. • Savings in training expenditure. • Savings in design, printing and consultancy • Communications – savings in consultancy.
Services	24,265	23,667	-598	-2.5%	

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

Reserves & Provisions	Variance	Detail
	£'000's	
Charter Vat Share	450	This item was included within the budget for 2009/10 as a revenue item; however within our 08/09 Statutory Accounts it was processed as a Capital Receipt according to financial regulations. We received X in 2009/10 and this has been recorded as a receipt.
Procurement Savings	180	These savings have been incorporated directly into the services and therefore are reflected within Service Underspends identified above. In future this will be offset at the point that the saving is made.
Supplementary Estimates (09/10)	143	£132k b/f budget from 2008/09 and £11k PHE compensation payment.
Area Based Grant	26	Incorporated directly into Service area as detailed above
Various	42	Other
Total – (as detailed above)	841	

Economic Impact – Interest Rates

- 1.8 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. There is also rising pressure on a number of Council services, notably benefits and a rise in homelessness will be expected.
- 1.9 In planning the 2009/10 budget we made provision for the effects of the recession and apart from investment income we have not seen any adverse variances. The budget assumed a investment rate of 2% for any new deals brokered in the year however as the base rate has been at 0.5% for the last 13 months this was not achieved. Investment income was expected to achieve £2.8m however this included a risk provision of £600k. This has been fully utilised and the variance reduced to £151k.

Investments in Iceland

- 1.10 Cherwell District Council is one of at least 123 local authorities that have been affected by the collapse of Icelandic banking institutions. The Council currently has a total of £6.5 million in short term investments (i.e. those with maturity periods of up to one year) with one of the affected banks Glitnir.
- 1.11 The position relating to the recovery of Council investments in Icelandic banks and the associated interest is uncertain and we are currently a test case challenging the decision regarding preferential creditor status through the Icelandic District Court with the support of the LGA and our legal counsel

Bevan Brittan. We expect this process to take at least 12 months. All interest at risk was written off in 2008/09.

- 1.12 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.
- 1.13 Although the Council remains confident of getting 100% of its investment back a plan has been drawn up to deal with any loss via use of the Council's reserves. This strategy has been built into the MTFs.
- 1.14 Within the statutory accounts for 2009/10 we will follow the guidance from CIPFA in relation to presenting this investment and make any impairment calculations as per this advice.

Budget Mitigations

- 1.15 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.
- 1.16 A decision was taken within 2009/10 to buy out the Council's Lease car and car allowance scheme. The early identification of service underspends through effective budget monitoring highlighted the feasibility of making this decision, which in turn will reduce ongoing service costs in future years.

Summary

- 1.17 The variances on the revenue are within the Council's stated tolerances and within 2% of budget provision.
- 1.18 The General Fund reserve is adequately funded to meet the overall deficit.
- 1.19 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.
- 1.20 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 2010 and then subsequently approved after audit clearance in September 2010. A detailed analysis of income and expenditure will be included within these accounts.