

Report for Information

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Report to Executive
10 June 2009

Report of Head of Finance

Subject Draft Revenue Outturn 2008/09

Purpose

To inform the Executive of the draft outturn for the General Fund and Housing Revenue Accounts for 2008/09. These outturn figures are provisional, as work on closing the accounts continues, and are not directly comparable with the Statements of Account.

Recommendation

That the Executive note the report.

Financial Consequences

The financial consequences of this report are set out within the body of the report.

Risk Assessment

The financial risks applicable to the 2008/09 financial year are now captured in the draft outturn. Many of these risks are of an ongoing nature, and will continue to be reported in budget monitoring during the 2009/10 financial year.

Strategic Priority and Outcome/Service Priorities

The report helps to meet the strategic priority “Aiming for excellence – ensuring the Council is efficient in its use of resources, is effective in delivering its plans, is a good employer and communicates effectively with its customers, staff and partners” and the service plan priority “Continue to develop the budget monitoring processes to ensure that areas of potential overspend or underspent are identified at the earliest opportunity to enable effective remedial action to be undertaken.”

Executive Member: Councillor Waters - Corporate Resources and Governance

Ward: All

Contact Officers

Barry Marshall, Head of Finance
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Background Documents

None

Report

General Fund

1. Members will be aware that both the General Fund and the Housing Revenue Account were put under considerable pressure in the latter part of the 2008/09 financial year. In the Budget Monitoring Report taken to the Executive on the 22 April 2009 an overspend, due to the recession, of £1.2 million was projected, The provisional outturn is now estimated as a shortfall of £813,300 after taking into account the LABGI grant, the surplus on the collection fund and allowing for additional costs arising from changes in accounting requirements.
2. It should be noted that the Council has had to bear unavoidable costs and income losses that could not have been foreseen or measured when the 2008/09 budget was set. Details of these are itemised in the first three tables below.
3. The first table shows income losses arising from the effects of the recession and the and the increased costs to Council caused by the change to the national concessionary fares scheme.
4. The second table shows the additional costs arising from the changes in accounting treatment required by the moves to International Financial Reporting Standards (IFRS). The holiday pay and flexitime accrual will be at this level for this year only, in future years the charge to the general fund will only reflect the changes in the level of the accrual.
5. The change to IFRS will have major impact on the Council's financial reporting and accounting process, in particular those relating to fixed assets, leases and PFI. The Head of Finance will later in the financial year be taking reports to the Executive and the Audit Committee explaining the implications of IFRS and the Accounting and Audit Regulations 2009
6. Appendix 1 shows the General Fund forecast for the financial year.
7. Prudent assumptions have been made for items yet to be finalised.

Additional Expenditure and Income Losses arising directly as a result of the recession

Service	Amount £000s	Comment
Transportation	1,200	Excess Concessionary Fares Cost
Finance	300	Reduced Investment Income
Planning	200	Reduced Planning Income
Legal and Democratic Services	240	Reduced Land Searches Income
Total	1,940	

Additional costs arising from changes in accounting treatment arising from moves to International Financial Reporting Standards

Service	Amount £000s	Comment
Finance	346	Financial Instruments Costs
Corporate	520	Accrual for leave and flexitime owed at 31 March 2009
Total	866	

Accounting adjustments resulting from the closure of 2007/08 accounts and changes in accounting treatment

Service	Amount £000s	Comment
Citizens Services	250	Income Adjustment 2007/08
Citizens Services	165	Costs not accounted for 2007/08
City & Asset Management	(250)	Movement of investment assets from operational to non operational
Total	165	

Additional costs and cost reductions from operations

Service	Amount £000s	Comment
Planning	100	Appeal Costs
City Asset Management	(440)	Surplus on car parks
City Asset Management	(500)	Additional income from past asset disposal
Citizens Services	400	Delays in achieving savings due to contractual constraints
Total	440	

Grants now added to the General Fund

Service	Amount £000s	Comment
Communications and Culture	(330)	Other grants
Corporate	(1206)	LABGI & Area Based Grant
Total	(1536)	

8. The approved budget for 2009/10 anticipates and provides for many of these items. A review will be undertaken after the finalisation of the accounts in order to identify any budget pressures increasing financial risks in the 2009/10 year.
9. Following discussions with the Audit Commission during 2008/09 the Council has reviewed the process used to allocate recharges (allocation of backoffice costs to front line services). The new basis of allocation has now been applied for 2008/09 . This has created a number of artificial over and underspends The table below shows where this has had a significant impact.

Service	Amount £000s	Comment
Community Services	365	Corporate overheads recharged to community wardens
Neighbourhood Housing	300	Corporate overheads recharged to the Housing Revenue Account
Strategic Housing	200	Departmental overheads recharged to the Housing Revenue Account
HR & Learning	200	Changed level of corporate overhead re-charging

Housing Revenue Account

10. As with the General Fund the Housing Revenue Account (HRA) has felt the impact of the recession. This has resulted in a collapse in the right to buy sales and sales of land. These two activities are important feeders to the Councils housing capital programme and the current shortfall is met from HRA balances
11. Appendix 2 shows the Housing Revenue Account forecast for the financial year.
12. Again, prudent assumptions have been made for items yet to be finalised, including capital financing costs and dwelling rent adjustments.
13. The draft outturn totals an overspend of £3.2m. Significant contributory factors are detailed below:

Service	Amount £000s	Comment
Repairs & Maintenance	250	Painting costs; to be recovered in 2009/10
General Management	150	Corporate & departmental overheads recharged to Housing Revenue Account
Special Management	240	District Heating fuel prices over budget
Rents	(330)	.
Service Charges	(70)	
Revenue Contribution to Capital	2,761	Covering shortfall in capital receipts

Next Steps

14. Work will carry on to finalise the accounts for 2008/09, in time for consideration by the Audit Committee on 24 June. This will meet the statutory deadline of 30 June.
15. The Council's auditors, the Audit Commission, will then commence their scrutiny, and by 30 September will provide their formal opinion on the accounts. The scrutiny will include examination of the final versus this draft outturn.

Appendix 1

SUMMARY BUDGET MONITORING POSITION FOR MARCH 2009 (PERIOD 12)	2008/9 Original Budget £	2008/9 Revised Budget £	2008/9 Actual To date £	2008/9 Projected Out-turn £	2008/9 Projected Variance £
Chief Executive					
Direct Responsibility	8,410	22,494	4,971	4,971	-17,523
Head of Communication & Cultural Services	2,820,900	2,820,900	2,436,992	2,437,058	-383,842
Sub Total for Directorate	2,829,310	2,843,394	2,441,964	2,442,029	-401,365
Strategic Director: Regeneration & Development (Neighbourhood Development)					
Head of Community Services	5,403,295	5,484,835	5,760,826	5,760,826	275,991
Head of Neighbourhood & Strategic Housing	842,300	842,300	657,180	657,180	-185,120
Head of Citizen Services	5,897,035	5,815,135	6,819,657	6,822,878	1,007,743
Sub Total for Directorate	12,142,630	12,142,270	13,237,663	13,240,884	1,098,614
Strategic Director: Regeneration & Development (City Development)					
Direct Responsibility	216,960	342,589	564,827	517,552	174,963
Head of Asset & City Management	-563,650	-528,458	-2,633,583	-2,422,003	-1,893,545
Head of Transportation Policy	1,803,290	1,649,972	3,218,172	3,218,172	1,568,200
Head of Planning	1,806,290	1,806,290	2,017,184	2,017,184	210,894
Head of Economic Development	541,000	552,555	-317,594	-317,594	-870,149
Head of Neighbourhood & Strategic Housing	1,634,260	1,652,610	2,096,265	2,096,265	443,655
Sub Total for Directorate	5,438,150	5,475,558	4,945,271	5,109,576	-365,982
Total for Directorate	17,580,780	17,617,828	18,182,934	18,350,460	732,632
Strategic Director: Corporate Resources					
Direct Responsibility	34,810	127,985	469	469	-127,516
Head of Finance	919,320	1,002,525	34,527,797	1,725,939	723,414
Head of Legal & Democratic services	2,127,235	2,127,235	2,562,534	2,562,534	435,299
Head of HR & learning	50,405	-185,483	665,414	665,414	850,897
Interim Head of Procurement & Service Improvement	275,030	275,030	166,213	67,985	-207,045
Head of Customer Contact	127,760	127,760	-12,254	-129,288	-257,048
Sub Total for Directorate	3,534,560	3,475,052	37,910,173	4,893,054	1,418,002
Strategic Director: Transformation					
Direct Responsibility	75,400	70,400	906,597	123,001	52,601
Partnerships	46,797	13,047	1,879	1,879	-11,168
Policy & Performance	136,933	178,683	1,375	1,375	-177,308
Sub Total for Directorate	259,130	262,130	909,852	126,256	-135,874
GRAND TOTAL	24,203,780	24,198,404	59,444,922	25,811,799	1,613,395

Less LABGI	565,594
Collection Fund Surplus	234,502
Provisional outturn	813,298

Appendix 2

Housing Revenue Account	Original Budget £	Revised Budget £	Actual to 31 March £	Forecast Outturn £	Forecast Variance £
<u>Expenditure</u>					
Repairs & Maintenance	12,600,000	12,630,000	14,875,984	14,875,984	2,245,984
Rents, Rates, & Other Charges	54,100	54,100	5,674,653	5,674,653	5,620,553
Supervision & Management:					
General Management	9,072,020	9,009,300	9,201,382	9,201,382	192,082
Special Management	5,805,920	5,809,640	6,049,793	6,049,793	240,153
Depreciation	15,948,700	15,948,700	10,414,183	10,414,183	(5,534,517)
Debt Management Expenses	78,700	78,700	0	78,700	0
Provision for Bad Debts	150,000	150,000	(19,999)	150,001	1
Subtotal Expenditure	43,709,440	43,680,440	46,195,997	46,444,697	2,764,257
<u>Income</u>					
Rents:					
Rent - Dwellings	(45,948,300)	(45,948,300)	(46,280,365)	(46,280,365)	(332,065)
Rent - Garages, Shops, and Land	(2,380,599)	(2,380,599)	(2,216,600)	(2,216,600)	163,999
Exchequer Subsidies:					
Housing Revenue Account Subsidy	5,983,000	5,983,000	6,067,070	6,067,070	84,070
Fees & Charges:					
Service Charges - General	(563,410)	(563,410)	(128,164)	(128,164)	435,246
Service Charges - District Heating	(590,560)	(590,560)	(710,385)	(710,385)	(119,825)
Service Charges - Furniture	(11,100)	(11,100)	(6,334)	(6,334)	4,766
Service Charges - Premises Manager	(726,350)	(1,754,500)	(1,213,064)	(1,213,064)	541,436
Service Charges - Sheltered Housing	(965,750)	0	(923,572)	(923,572)	(923,572)
Service Charges - Good Neighbour	(62,400)	0	0	0	0
Service Charges - Window Cleaning	(48,940)	(48,940)	(50,299)	(50,299)	(1,359)
District Heating - Other Authorities	(20,200)	(20,200)	(29,130)	(29,130)	(8,930)
Miscellaneous	(95,066)	(95,066)	(5,671,138)	(5,671,138)	(5,576,072)
Subtotal Income	(45,429,675)	(45,429,675)	(51,161,980)	(51,161,980)	(5,732,305)
Net Cost of Services	(1,720,235)	(1,749,235)	(4,965,983)	(4,717,283)	(2,968,048)
<u>Financing Items</u>					
Debt Charges	4,219,000	4,219,000	0	4,194,700	(24,300)
Amenities shared by whole community	(836,200)	(836,200)	(688,986)	(688,986)	147,214
Premium for early repayment of debt	795,000	795,000	0	768,000	(27,000)
FRS17 Pensions Adjustment	0	0	0	0	0
Interest	(385,000)	(385,000)	(3,566)	(336,566)	48,434
Net Operating Expenses	2,072,565	2,043,565	(5,658,536)	(780,136)	(2,823,701)
Item 8 Credit	(6,501,300)	(6,501,300)	(993,777)	(993,777)	5,507,523
Revenue Contributions to Capital	3,245,000	3,245,000	0	3,699,000	454,000
Contribution to MRP (HRA set-aside)	40,500	40,500	89,285	89,285	48,785
DEFICIT/(SURPLUS) FOR YEAR	(1,143,235)	(1,172,235)	(6,563,028)	2,014,372	3,186,607