

**Committee:** Finance & Administration

**Agenda Item**

**Date:** 26 March 2009

**6**

**Title:** 2008/09 Forecast Outturn

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Item for  
decision

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## Summary

- 1 This report summarises a forecast outturn position for 2008/09. It draws together estimates provided by Heads of Division of expected variances from the Revised Budget approved by the Council in December.
- 2 **General Fund:** A net favourable variance of £0.361m is forecasted, providing an opportunity to establish a Landsbanki Contingency Fund, in accordance with principles stated in the Medium Term Financial Strategy. After making this adjustment, the net forecast variance will be nil.
- 3 **Housing Revenue Account:** A favourable variance is expected due to rescheduling of housing stock appraisal work and vacant posts.
- 4 **Capital Programme:** A net favourable variance of £1.3m is forecasted due to expenditure on major schemes being rescheduled to later years.
- 5 In general, there is some evidence that predictions about the Council's financial position over the medium term have resulted in spending officers exercising strong control over their budgets with only essential expenditure being incurred. A net favourable outturn, if confirmed following accounts closedown, will place the Council in a stronger position to withstand the financial pressures ahead.

## Recommendations

The Committee is recommended to approve this report.

## Background Papers

None.

## Impact

Communication/Consultation	None
Community Safety	None
Equalities	None
Finance	Detailed in the report
Human Rights	None
Legal implications	None

Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

**General Fund**

- 6 The following sets out the forecast outturn and variances from Revised Budget:

£m	Revised Budget	Forecast Outturn	Variance Adverse / favourable (-)	Note (para ref)
Direct Net Service Exp're	9.018	8.494	-0.524	7
Recharge to HRA	-0.849	-0.786	0.063	8
HRA share of corporate core	-0.267	-0.257	0.010	8
<b>Sub total – net operating expenditure</b>	<b>7.902</b>	<b>7.451</b>	<b>-0.451</b>	<b>9</b>
LABGI	-	-0.098	-0.098	10
Investment income	-0.420	-0.468	-0.048	11
Capital financing costs	0.266	0.266	-	
Pension Fund Added Years	0.108	0.108	-	
Pension Fund Fin'l Strain	0.675	0.686	0.011	
Pension Fund Deficit Contribution	0.342	0.342	-	
Capitalisation approval	-1.136	-1.061	0.075	12
VAT write off to revenue	0.144	0.144	-	
<b>Sub total – net revenue expenditure</b>	<b>7.881</b>	<b>7.370</b>	<b>-0.511</b>	<b>13</b>
Transfers to Earmarked Reserves	0.597	0.747	0.150	14
Transfers from Earmarked Reserves	-0.059	-0.059	-	
Transfer to Working Balance	0.035	0.035	-	
Transfer to Landsbanki Contingency Fund	-	0.361	0.361	15
<b>NET GENERAL FUND BUDGET</b>	<b>8.454</b>	<b>8.454</b>	<b>-</b>	<b>16</b>

- 7 The table shows that there is a net favourable variance on direct service net expenditure of £0.524m. This includes £0.150m relating to Stansted which will be carried forward to 2009/10. A full list of variances is set out below.

<b>Service</b>	<b>Variance £m</b>	<b>Comment</b>
	<b>Adverse / favourable (-)</b>	
Waste Management	-0.160	Salary savings due to staff turnover; reduction in diesel prices; net increase in income.
Stansted	-0.150	Budget not required until 2009/10
Licensing	-0.050	Fee income relating to CRB checks
Human Resources	-0.034	Corporate training budget underspent
Saffron Walden Museum	-0.030	Spending controls in force so that only essential expenditure is incurred
Public Health	-0.030	Income higher than budget
Democratic Representation	-0.026	Members Expenses lower than budget and spending controls in force so that only essential expenditure is incurred
Central Services	-0.020	Underspend on telephone costs
Corporate Management	-0.019	Recruitment costs budget underspent
Planning mgt. & admin	-0.015	Salary savings due to vacant post
Information Technology	0.020	Costs of Code of Connection compliance
Additional pay award	0.025	Additional 0.3% announced 3 March
Land Charges	0.025	Reduction in level of income
Building Surveying	0.068	Reduction in level of income
Minor variances (net)	-0.128	Individual variances below £15k
<b>NET VARIANCE – Direct service expenditure</b>	<b>-0.524</b>	
Recharges to HRA	0.073	Smaller recharge expected
LABGI	-0.098	Additional payment relating to 2007/08
Investment income	-0.048	Cash flow better than expected
Capitalisation approval	0.075	Approval to capitalise redundancy costs unlikely to be fully used
Transfers to Reserves	0.150	Carry forward of Stansted budget to 2009/10
Other items	0.011	
<b>NET VARIANCE</b>	<b>-0.361</b>	<b>To be transferred to Landsbanki Fund</b>

- 8 As a consequence of direct service expenditure forecasted to be less than expected, the recharge of overheads to the Housing Revenue Account is expected to be smaller; this means that the credit to the General Fund is smaller, so an adverse variance arises, estimated to be £0.073m.
- 9 The net operating expenditure, after adjusting for the HRA recharge, is forecasted to be £0.451m.
- 10 On 24 February, the Government confirmed that an additional payment will be made relating to the 2007/08 Local Authority Business Growth Incentive (LABGI) Scheme. This was not budgeted for. This payment is not ringfenced so there is no requirement to earmark it for any specific purpose.
- 11 Cashflow during the year has been better than expected resulting in investment income being above budget. There is a sharp downward trend however; the forecasted amount for 2008/09, £0.468m, compares with the 2009/10 budget of £0.105m. The figures exclude any interest relating to the Landsbanki deposit. It is possible that accounting rules may enable the Council to credit the interest owed, but with a compensating transfer to the Landsbanki Contingency Fund so that the bottom line effect of any additional credit will be nil in 2008/09.
- 12 The Capitalisation Approval is mostly for pensions costs but includes £0.1m relating to redundancy costs; it is not presently anticipated that costs of this level will be incurred, so the full effect of the capitalisation will not be realised.
- 13 The net favourable variance before adjusting for transfers to and from reserves is £0.511m.
- 14 Transfers to earmarked reserves include £0.150 relating to Stansted and £0.597m relating to the Change Management and Budget Equalization Reserves, as detailed in the Medium Term Financial Strategy.
- 15 The Council will have to provide for any reduction in value of the Landsbanki deposit in 2010/11. The MTFS states that in the event of favourable revenue budget variances arising, opportunities will be taken to divert funds to a Landsbanki liability provision. Accordingly a sum equivalent to the net residual favourable variance will be transferred to a newly created Landsbanki contingency fund. This is forecasted to be £0.361m.
- 16 This shows that after adjusting for reserves transfers, the net forecast outturn is a nil variance.

**Housing Revenue Account**

- 17 A net favourable variance is expected within the HRA as a consequence of rescheduling stock options appraisal work to 2009/10, and salary savings arising from vacant posts.
- 18 There are uncertainties within the HRA at the present time relating to aspects such as depot costs, recharges, Supporting People and Lifeline. The uncertainties mean that providing an accurate HRA forecast is not possible at the present time. These matters are being resolved and reliable numbers will be available after accounts closedown and for 2009/10 budget monitoring.

**Capital Programme**

- 19 The Capital Programme is forecasted to be underspent by £1.3m due to rescheduling of schemes and major purchases to subsequent financial years.

£m	Budget	Forecast outturn	Variance Adverse / favourable (-)
Premises	0.827	0.330	-0.497
Community Facilities Projects	0.130	0.088	-0.042
GF Housing Grants	0.150	0.197	0.047
Vehicles	0.718	0.345	-0.373
Equipment	0.072	0.045	-0.027
IT	0.547	0.147	-0.400
Supervision	0.055	0.055	-
<b>Sub total – General Fund</b>	<b>2.500</b>	<b>1.208</b>	<b>-1.292</b>
HRA Improvements	1.708	1.708	-
HRA IT	0.015	0.015	-
HRA Incentive Grants	0.040	0.040	-
HRA Supervision	0.233	0.233	-
<b>Sub total – HRA</b>	<b>1.996</b>	<b>1.996</b>	<b>-</b>
<b>TOTAL CAPITAL PROGRAMME</b>	<b>4.496</b>	<b>3.204</b>	<b>-1.292</b>

**Risk Analysis**

Risk	Likelihood	Impact	Mitigating actions
Errors or omissions mean that the figures in the report are not fairly stated	2	2	Review by Heads of Division and finance staff Explanations obtained for significant variances
The actual outturn position may be different from that forecast	2	2	Flexibility over the level of reserves transfers to ensure that a balanced budget is maintained.

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.