
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: //
DATE OF MEETING:	21st JULY 2005	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (595811)	DOC: u/ks/finance briefings/ July 05
SUBJECT:	FINANCIAL MONITORING 2005/06	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM08

1.0 Recommendations

- 1.1 That the monitoring and performance information is considered and noted.
- 1.2 That an amount of £6,600 is vired from the Festival of Leisure Budget for 2004/05, to fund a feasibility study into flooding problems at Ticknall.

2.0 Purpose of Report

- 2.1 To provide an update on the latest financial news affecting the Council. It also reports early budget monitoring figures for 2005/06 and performance against the Council's main financial indicators.
- 2.2 Although regular financial reporting (through a Finance Brief) has previously been provided to Members, there is now a statutory requirement to report performance to the relevant Committee.

3.0 Executive Summary

- 3.1 Early indications show that overall Council spending is within that budgeted for 2005/06 and is already showing additional income being generated from planning fees and benefit subsidy. The HRA is also on target to achieve a greater surplus than originally estimated for 2005/06.
- 3.2 Although the number of council house sales continues to fall from that projected, the average value being received is higher, which is compensating for any loss of capital income. The overall amount of capital resources to be generated for the year is currently on target.
- 3.3 The Council's cash flow has been more favorable than anticipated during the first quarter of the year, and this should generate additional resources by the year-end. The interest rate earned on bank deposits has continued to be higher than the average market rate.

- 3.4 The collection rates for council tax and business rates are both above the level compared to the same period in 2004/05. Although the processing of new benefit claims is still within the Government target, it has increased compared to 2004/05.
- 3.5 Performance in the processing of invoices for payment has shown a marked improvement during the first part of 2005/06. Although the number of electronic payments appears to have peaked at around 66%, it is envisaged that this will again increase as the option of paying suppliers by cheque is being withdrawn.

4.0 Detail

CURRENT ISSUES

- 4.1 **The Local Government Funding Review** has issued an interim report. It has identified two main challenges:
- The need for the public to be engaged with the underlying issues rather than just the technical ones, and that
 - It is important for people to understand a diversity of views rather than just regional ones.
- 4.2 Regional consultations to-date have produced the following messages:
- Support for three year funding streams and a simplified system
 - The complexity of the grant distribution system is a barrier to accountability
 - Local Government reorganisation is seen as inevitable and should therefore be hastened
 - The limited funding allocation leads to difficulties in balancing national and local priorities
 - While the national Confederation of British Industry is resistant to change, local business groups are less resistant
- 4.3 Local Government representatives have responded with their own views:
- The review should focus on financial issues rather than local government structures
 - Reform of business rates is welcomed
 - They favor the 'combination option' and will prepare papers on this
 - The government should deal promptly with implementation of the review
 - The review timetable should be condensed to dovetail with the revaluation agenda
 - It is important to involve police authorities
- 4.4 **Housing Finance** – the Audit Commission has recently published a report for the Government on "the impact of the national system of finance on the government's objectives for council housing." In summary, the report concludes that:
- The current subsidy system is too complex and does not help accountability.
 - It does not focus on local issues
 - It does not reflect broader landlord costs such as maintenance of communal areas and crime prevention.

- 4.5 The main conclusion is that the Government should review the overall system and in doing so, release from the system those authorities that can be self-financing, but linking this to high performance.
- 4.6 In addition, the Government has recently re-stated its housing priorities. The main financial points were:
- Continue to offer councils ALMO, PFI and stock transfer as routes to secure more investment in local authority housing.
 - Maintain the 'right to buy'
 - Create a new 'Safer and Stronger Communities Fund'
- 4.7 **Comprehensive Performance Assessment** – the Audit Commission has now outlined how it will measure councils' efficient use of resources when it introduces the revised CPA framework later this year. The Commission says that the methodology for marking councils against the new "use of resources" block, which will be one of the main elements of the revised CPA regime, "will challenge even the best performers."
- 4.8 There will be 5 main criteria which will be marked, covering:
- Value for money
 - Financial standing
 - Financial and asset management
 - Financial reporting
 - Internal Controls/Risk Management
- 4.9 This will lead to an overall score for resource management which will then have a "decisive" influence on each authority's overall CPA ranking. Scores should reflect councils' track record in managing their finances and from 2006, will place a special emphasis on providing value for money services for their residents.
- 4.10 A council will only be rated excellent in its overall CPA if it can demonstrate value for money. This will include the degree of systems in place to achieve VFM, a comparison with other councils regarding overall and specific service costs and the use it makes of procurement practices.
- 4.11 To do well overall, councils will need to demonstrate sound financial management and plan ahead to make sure resources are directed to priority areas.
- 4.12 The Council has started to prepare for this assessment. Initial returns are required for the Audit Commission in September and a "Direction of Travel Assessment" will be made in December. The main assessment will be made in February 2006, with results published in March 2006. Thereafter, an annual assessment will be conducted.

BUDGET MONITORING 2005/06

- 4.13 **General Fund** – Initial budget monitoring to May 2005, has identified some variances. In addition, some budgets have been amended to reflect approved variations and the on-going effects of 2004/05 budget out-turn where applicable.
- 4.14 However, proposed carry forwards from 2004.05 are not included in the figures below, pending separate approval. The current situation is summarised in the following table.

Analysis of Expenditure (By Main Service Area)	Approved Estimate £	Projected £	Variance £
Environmental Services	7,174,810	7,169,110	-5,700
Financial and Property Services	3,481,060	3,525,060	+44,000
Housing and Building Maintenance	2,070,390	2,070,390	0
Legal and Democratic Services	1,637,440	1,637,440	0
Leisure and Community Services	3,427,160	3,427,160	0
Planning Services	1,937,680	1,873,680	-64,000
Policy and Economic Regeneration	631,860	631,860	0
Human Resources	642,480	642,480	0
IT and Customer Services	1,902,230	1,902,230	0
Revenues and Benefit Services	2,522,350	2,472,350	-50,000
TOTAL NET EXPENDITURE	25,427,460	25,351,760	-75,700

4.15 The major variations currently identified are highlighted in the following table.

General Fund – Projected Variances 2005/06	£
Savings/Additional Income	
• Reshaping Licensing and Commercial Division	5,700
• Restructuring Accountancy	16,000
• Fee income from Planning and Building Regulations	86,500
• Benefit Subsidy – transitional protection	50,000
Total – savings/additional income	158,200
Offset by:	
• Additional expenditure on Local Plan	22,500
• Additional resources for Asset Management (funded from Earmarked Reserves)	60,000
TOTAL – PROJECTED VARIANCE	-75,700

Virement Request

4.16 In addition, a request has been made by the Head of Leisure and Community Development to vire £6,600 from the budget for the annual Festival of Leisure, to fund a feasibility study into flooding problems at Ticknall.

4.17 The total cost is estimated at £20,000. Contributions would be made by other agencies, to the overall cost, this Council's contribution being towards land drainage issues. The Festival of Leisure will not take place in 2005 due to the renovation of Maurice Lea Park.

4.18 **Housing Revenue Account (HRA)** – the projected out-turn shown in the following table, takes into account the on-going effects of the 2004/05 actual out-turn position.

Summary Position as at May 2005	Approved Estimate 2005/06 £	Projected Out-turn 2005/06 £	Variance £
Housing Repairs	2,725,910	2,733,080	7,170
General Management	778,900	778,900	0
Sheltered and Other Services	843,030	843,030	0
Council Tax on Void Properties	9,470	9,470	0
Provision for Bad Debts	30,000	5,000	-25,000
Capital Financing Charges	333,310	303,580	-29,730
Payment to Government Pool	3,809,840	3,794,050	-15,790
Cost of Rebates Remaining in HRA	101,140	88,300	-12,840
Provision for increase in Pensions costs	6,100	6,100	0
Rent and Other Income	-8,653,340	-8,655,670	+2,330
Net Surplus	15,640	94,160	+78,520

4.19 Early indications show that the HRA is on target to achieve a greater surplus than originally estimated for 2005/06. This assumes that repairs spending will be in line with that being projected.

4.20 **Capital Expenditure and Financing** – The Council's capital spending has been updated to include amounts carried forward from 2004/05 to meet commitments and to complete schemes with work in progress. The overall position is summarised in the following table.

Analysis of Spending by Main Project Area	Approved Estimate £	Spending as at June 05 £
Council House Improvements (excluding contingency set-aside)	1,760,920	84,800
Disabled Facility Grants	220,000	98,500
Other Housing Investment	1,116,450	72,800
Community Projects	1,116,950	187,500
Environmental Schemes	841,550	121,000
I.T., Property and Other Assets	1,070,000	57,800
Total Expenditure	6,125,870	622,400

4.21 Any slippage on individual schemes in the year has still to be identified. It is anticipated that as in previous years, resources for council house improvements and disabled facility grants will be fully spent during the year.

4.22 It should be noted that around £3/4m of spending in relation to covenant financing and financing the purchase of new vehicles will not be incurred until the year-end.

4.23 **Capital Receipts** – the amount to be generated and **usable** for future capital investment was estimated at around £2.2m for 2005/06. This was largely from the predicted sale of 80 council houses. As at June 2005, there had been 18

completions. If this trend continues then 72 sales would go through for the year in total.

4.24 In addition, the estimate assumed an average sale price (after discount) of £43,000. The average to-date is approximately £49,000. Based on 72 sales, this would generate the projected amount of around £2.2m, and therefore, compensate for the reduction in numbers.

4.25 In addition, amounts received from the approved sale of sheltered accommodation amounted to approximately £900,000 after fees.

BORROWING AND INVESTMENTS

4.26 This is summarised in the following tables.

Borrowing	01/04/05 £'000	30/06/05 £'000
• Long Term Debt Outstanding	1,000	1,000
• Temporary Borrowings	2,051	161
Total Debt Outstanding	3,051	1,161
• Average Interest Rate – Long Term	4.88%	4.88%
• Average Interest Rate – Temporary	4.73%	3.75%
• Base Rate	4.75%	4.75%

Investments - Short Term Deposits	01/04/05 £'000	30/06/05 £'000
Total	0	2,211
Average Interest Rate Earned	4.63%	4.72%
Target – Average 7-Day Rate (for comparison)	4.47%	4.69%

Analysis of Interest Paid/Received	Estimate for the Year £	Actual as at June 2005 £	Projected for the Year £
Temporary Borrowings	+25,000	+6,198	+15,000
Short Term Deposits	-100,000	-12,260	-105,000
Total – Net Interest Receivable	75,000	6,062	90,000

- 4.27 The Council's cash flow has been more favorable than anticipated during the first quarter of the year, and this should generate additional resources by the year-end.

REVENUES and BENEFITS

- 4.28 Performance to-date is shown in the following tables.

Council Tax Collection 2005/06 (as at May 05)	Government Target for the Year	Actual to- date	Compare with 2004/05
Cumulative Collection Percentage	98.29%	22.67%	22.05%

Business Rate Collection 2005/06 (as at May 05)	Government Target for the Year	Actual to- date	Compare with 2004/05
Cumulative Collection Percentage	99.10%	20.76%	19.37%

Processing New Claims for Benefit 2005/06 (as at May 05)	Government Target	Actual Achieved	Compare with 2004/05
Average time taken (days)	30 days	22.5 days	16 days

OTHER FINANCIAL INDICATORS

- 4.29 **Payment of Undisputed Invoices within 30 Days** – this is a statutory Best Value Performance Indicator with a local target set of **97%** for 2005/06, which is upper quartile performance for District/Borough Councils. The last 3-years' performance is shown below.

- 2002/03 – 94%
- 2003/04 – 92%
- 2004/05 – 86%

- 4.30 Performance to-date in 2005/06 is shown in the following table.

Directorate	Number of undisputed invoices processed	Number paid in 30 days	Percentage
Chief Executive	70	68	97.14%
Policy and Development	104	97	93.27%
Community Services	1,829	1,717	93.88%
Corporate Services	240	236	98.33%
Etwall Leisure Centre	28	26	92.86%
TOTAL	2,271	2,144	94.41%

- 4.31 **Proportion of Invoices paid to Suppliers Electronically** - this is an I.E.G. indicator. The target is that **100%** of all payments to suppliers are being made electronically by 31st December 2005. The table below shows the progress towards this target as at May 2005.

Performance as at May 2005	Number	Percentage
• Cheque Payments	338	35.6%
• Payments by BACS (Electronically Transmitted)	611	64.4%
Total Payments	949	100%

- 4.32 Performance as at March 2005, was **63.2%**. Suppliers not currently being paid electronically have again been canvassed for their bank details. In addition, these suppliers have been advised that from 1st July, the Council will only be making payments by BACS. This has already increased the take-up from outstanding suppliers.

- 4.33 **Sundry Debtors** – Outstanding Debt as 31st May 2005 with a comparison to the 3 previous years is shown in following table.

Age of Debt	As at 31 st March 2003 £'000	As at 31 st March 2004 £'000	As at 31 st March 2005 £'000	As at 31 st May 2005 £'000	As at 31 st May 2004 £'000
Less Than 1 Month	155	289	274	219	234
1 to 6 Months	118	91	207	408	399
6 to 12 Months	87	85	38	73	79
1 to 2 Years	101	59	107	87	60
Over 2 Years	222	248	229	246	226
Total Debt Outstanding	683	772	855	1,033	998

- 4.34 The increase in debt as at May 2005, is due to bills issued in full for 2005/06 that will be paid by installments during the year. This is reflected in the higher levels of debt in the 1 to 6 months category at this stage of the year.
- 4.35 However, the overall amount owing is increasing year on year. This is reflected in the increasing year-end balances over the last 3-years. Over 50% of the debt outstanding relates to housing benefit overpayments, and in particular, accounts for a significant proportion of the "over 2-years" category. This category is not reducing, even after taking account of write-offs.
- 4.36 This debt is historically difficult and slow to recover. A review of this debt is to be undertaken to write-off debts viewed as uneconomical to pursue. However, it is worth pursuing this debt. If it is recovered, the Council benefits from additional Government subsidy and also by extra resources being generated for the General Fund.