
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 11.
DATE OF MEETING:	15th FEBRUARY 2011	CATEGORY: DELEGATED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (595811) Kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/financial monitoring reports/2011 1 February
SUBJECT:	BUDGET and FINANCIAL MONITORING 2010/11	REF
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the latest budget and financial monitoring figures for 2010/11 are considered and approved.

2.0 Purpose of Report

- 2.1 As part of proper financial management, the Council monitors income and expenditure against its budgets on a regular basis throughout the year. This is undertaken on a monthly basis, and weekly on some of the more volatile and higher risk budgets such as housing repairs.
- 2.2 An important part of the process involves budget managers together with their service accountant, meeting and reviewing performance against their particular budgets. Monitoring is intended to identify any variances as early as possible to enable remedial and timely action to be taken.
- 2.3 Overall financial performance and the major budget variances are reported to this committee throughout the year. In accordance with its Treasury Management Strategy, the Council monitors its lending and borrowing on a regular basis.
- 2.4 The Council's cash flow is monitored on a daily basis and reported monthly to the Council's senior finance officers. Again, overall performance is reported to this Committee throughout the year.
- 2.5 This is the third monitoring report for the financial year 2010/11. It details performance up to 31st December 2010.

3.0 Detail

GENERAL FUND REVENUE ACCOUNT

- 3.1 Apart from Council Housing, day to day income and expenditure is accounted for through the General Fund. The net expenditure is financed from Government Grant and Council Tax, with any shortfall being financed from the Council's Reserves.
- 3.2 The original budget which was approved in February 2010 estimated a budget deficit £472,192. This was updated for various adjustments during the year as reported to the Committee in September, October and December 2010, together with approved changes arising out of the 2011/12 budget round, especially the Senior Management Review.
- 3.3 These adjustments have reduced the estimated deficit for the year to £118,914 as shown in Table 1.

Table 1 – General Fund: Revised Budget Deficit 2010/11

Net Expenditure on Services	£12,081,450
Capital Charging Adjustments	(£357,425)
Provisions	£357,809
Senior Management Review – one-off costs	£289,082
Overall Net Revenue Expenditure	£12,370,916
Financing	
General Government Grant	(£7,313,884)
Area Based Grant	(£39,706)
Council Tax	(£4,754,337)
Earmarked Reserves	(£144,075)
Total Financing	(£12,252,002)
Estimated Budget Deficit 2010/11	£118,914

- 3.4 In line with normal monitoring arrangements, the position on the Revised Net Expenditure on Services (i.e. £12,081,450 in Table 4) continues to be reviewed.
- 3.5 This is the amount that is directly managed and controlled by the various budget holders across the Council. The revised budget, together with major variances identified as at December 2010 are summarised in Tables 2 and 3 below. A full analysis of each cost centre with variances across each policy committee is detailed in **Appendices 1 to 3**.
- 3.6 The variances reflect issues that although projected to out-turn at this level, could change during the remainder of the year. Consequently, they are not reflected directly in the revised budget at this stage.

Table 2: Performance against Revised Budget 2010/11 as at December 2010 (by Committee)

Summary by Policy Committee	Approved Budget	Projected Actual	Projected Variance
Environmental and Development Services	£3,124,763	£3,130,422	£5,659
Housing and Community Services	£2,911,676	£2,859,598	-£52,078
Finance and Management	£6,045,011	£6,014,211	-£30,800
TOTAL	£12,081,450	£12,004,231	-£77,219

Table 3: Performance against Revised Budget 2010/11 as at December 2010 (by Service)

Summary by Main Service Area	Approved Budget	Projected Actual	Projected Variance
Economic Regeneration	£103,960	£105,381	£1,421
Environmental Services	£627,189	£609,004	-£18,185
Highways	£86,331	£69,711	-£16,620
Licensing and Land Charges	£10,364	-£4,414	-£14,778
Planning	£571,202	£666,169	£94,967
Town Centre	£80,370	£68,967	-£11,403
Waste Collection and Street Cleansing	£1,645,347	£1,615,604	-£29,743
Community Development and Support	£1,156,861	£1,152,087	-£4,774
Leisure and Recreational Activities	£205,445	£212,903	£7,458
Leisure Centres and Community Facilities	£479,869	£460,554	-£19,315
Parks and Open Spaces	£525,592	£478,494	-£47,098
Private Sector Housing	£543,909	£555,560	£11,651
Central and Departmental Accounts	£4,397,548	£4,197,538	-£200,010
Concessionary Travel	£456,050	£416,298	-£39,752
Corporate and Democratic Costs	£1,069,754	£1,103,641	£33,887
Electoral Registration	£128,004	£118,250	-£9,754
Interest Payments and Receipts	-£201,859	-£210,336	-£8,477
Internal Trading Accounts	£40,859	£26,400	-£14,459
Payments to Parish Councils	£288,332	£287,821	-£511
Property and Estates	-£166,795	-£150,470	£16,325
Revenues and Benefits	£33,118	£225,069	£191,951
TOTAL	£12,081,450	£12,004,231	-£77,219

3.7 The tables show that based on current income and spending, there will be an overall **decrease** in net expenditure on services of approximately £77,000 compared to the Revised Budget for the year.

3.8 The main variances identified to-date are summarised in Table 4.

Table 4: Summary of Main Variances to-date – General Fund

Reduction in Planning Application Fees	£133,000
Increase in Housing Benefit Payments	£120,000
Additional income from interest on short-term investments	-£10,000
Green Bank Leisure Centre - reduction in Business Rates	-£27,000
Collection of Waste and Recycling Costs	-£30,000
Additional income from Pest Control, Licenses and Land Charges	-£32,000
Building Regulations - lower insurance premium and increased fees	-£37,000
Reduction in Costs of Concessionary Travel	-£40,000
Parks and Open Spaces	-£47,000
Reduction in Corporate and Democratic Costs	-£55,000
Other Reductions	-£52,000
Total Projected Variance	-£77,000

3.9 Most of the variances have previously been reported to Committee and those associated with recycling and parks/open spaces were those identified during the budget round.

3.10 There are two main adverse variances. In addition to the increase in housing benefit payments detailed in previous reports, income from planning application fees is now estimated to be well below the budget of £533,000 at approximately £400,000 for the full year.

Provisions

3.11 Table 1 shows a provision of £357,809. The main item within this relates to the provision for growth and inflation totaling £237,000. It is looking unlikely that this will need to be utilised based on spending up to December 2010. However, to some extent, this will depend upon the national pay situation and the implementation of the pay and grading review.

HOUSING REVENUE ACCOUNT (HRA)

3.12 The Council is required to account separately for income and expenditure in providing Council Housing, although the HRA is a subsidiary account of the General Fund.

3.13 The HRA Budget set in February 2010 included drawing down HRA Reserves of £439,664 to finance an estimated budget deficit for 2010/11. Following the review of the MTFP in October, this was increased to £496,788, mainly to reflect changes to the subsidy settlement for 2009/10.

3.14 Performance on the HRA is detailed in **Appendix 4**, with a summary in Table 5 below.

Table 5: HRA - Performance against Revised Budget 2010/11 as at December 2010

HOUSING REVENUE ACCOUNT (HRA)	Approved Budget	Projected Actual	Projected Variance
Total Expenditure	£10,848,560	£10,866,627	£18,067
Less: Total Income	£10,351,772	£10,322,841	-£28,931
Net Deficit	£496,788	£543,786	£46,998

3.15 As for the General Fund, the variances identified in Appendix 4 have previously been reported to Committee. A provision of £47,940 has also been made in the HRA, mainly to cover inflation. It is looking unlikely that this will need to be utilised based on spending up to December 2010 but will be kept under review.

CAPITAL EXPENDITURE and FINANCING 2010/11

3.16 The overall position on gross expenditure (before external financing) as at December 2010 is summarised in Table 6.

Table 6: Analysis of Capital Expenditure as at December 2010

ANALYSIS OF SPENDING BY MAIN SERVICE/PROJECT AREA	APPROVED ESTIMATE £	SPENT AT DECEMBER 10 £
Council House Improvements**	2,460,731	808,118
Disabled Facility Grants (DFGs)	298,098	165,434
Other Housing Investment	408,736	166,328
Leisure and Community Schemes	1,170,424	428,888
Environmental and Development	746,007	430,973
Property and Other Assets	483,074	213,190
Total Expenditure	5,567,070	2,212,931

** Note – this includes repayment of Covenants of £331,000 for which expenditure is not incurred until the year-end.

3.17 Generally, major schemes are running as planned and most expenditure is now committed with no major variances anticipated at this stage. There is likely to be some slippage of £146,000 on the overall budget for council house improvements. This mainly relates to the refurbishment of 55 George Street and a budget for renewable heating. This was considered by the Housing and Community Services on 3rd February.

3.18 The budget for DFGs is spending higher than a straight line profile at this stage although some expenditure will be financed by external contributions.

Capital Receipts

3.19 The Financing Programme made no provision for any new capital receipts being generated in 2010/11. To-date, there has been 5 council house sales and 4 land disposals amounting to approximately £388,000.

3.20 After Government Pooling, this leaves £114,000 available for reinvestment. A sum of £46,875 has previously been approved to supplement the budgets for the Sheltered Housing Vision and Disabled Facility Grants in 2010/11. The remaining amount (approximately £67,000) will be maintained as a contribution to the amount of capital receipts required to fund commitments in future years.

3.21 A separate report on the usage of receipts from the sale of the former Band Room Site in Coton is considered on this Committee's Agenda (Item 12).

TREASURY MANAGEMENT

3.22 An analysis of the Council's borrowing and short-term investments/bank deposits is summarised in Table 7 below. This shows the position to 31st December 2010.

Table 7: Analysis of Borrowing and Short-term Investments

Borrowing	01/04/10 (Start of Year)	31/12/10
• Long Term Debt Outstanding	£1,000,000	£1,000,000
• Temporary Borrowings	£3,133,367	£133,367
Total Debt Outstanding	<u>£4,133,367</u>	<u>£1,133,367</u>
• Interest Rate on Long term - fixed at:	4.875%	4.875%
• Interest Rate Paid on Temporary Borrowings	0.45%	0.00%
• Base Rate (Since 5th March 2009)	0.50%	0.50%
Short-term Investments		
• Bank Deposits and Other Investments	<u>£4,052,700</u>	<u>£7,334,000</u>
Average Interest Rate Earned (on Investments)	0.75%	0.85%
Target – Average 7-Day Rate (for comparison)	0.40%	0.58%

Analysis of Interest (Paid)/Received	Revised Estimate for the Year £	Projected for the Year £
Short term Deposits	26,250	36,250
Less Temporary Loans	0	0
Total – Net Interest Receivable	26,250	36,250

3.23 The estimate for the year was revised down from £60,000 (to £26,250) as part of the MTFP review in October. As can be seen, it is now projected to be above this based on interest earned to-date. This is mainly due to the average daily deposit balance being higher than estimated, i.e. £5.1m compared to £3.5m.

4.0 Financial Implications

4.1 As detailed in the report.

5.0 Corporate Implications

5.1 None directly

6.0 Community Implications

6.1 None directly

7.0 Background Papers

7.1 None