
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 10
DATE OF MEETING:	7th SEPTEMBER 2006	CATEGORY: DELEGATED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (595811)	DOC: u/ks/financial monitoring/September 06
SUBJECT:	BUDGET and FINANCIAL MONITORING 2006/07	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the latest budget monitoring figures and associated information is considered and noted.
- 1.2 That the limits for non-specified investments on F1/AA and F1/A rated institutions are increased to £2m and £1m respectively.

2.0 Purpose of Report

- 2.1 To report the first quarter's budget monitoring for the financial year 2006/07. The Council is expected to monitor income and expenditure against its base budget on a regular basis throughout the year.
- 2.2 This is undertaken generally on a monthly basis, and weekly on some of the more volatile and higher risk budgets such as housing repairs. A fundamental part of the process involves budget managers together with their service accountant, meeting and reviewing performance against their particular budgets.
- 2.3 Monitoring is intended to identify any variances as early as possible. Overall performance is reported to this Committee quarterly.
- 2.4 In accordance with its Treasury Management Strategy, the Council is also required to monitor its lending and borrowing on a regular basis. The Council's cash flow is infact monitored on a daily basis and reported monthly to the Council's senior finance officers.
- 2.5 Again, overall performance is reported to this Committee quarterly.

3.0 Detail

GENERAL FUND REVENUE ACCOUNT

- 3.1 The situation as at June 2006 on the Council's main revenue account is summarised in the following table. This shows expenditure by main Division and includes recharged central establishment costs and internal capital charges.

Analysis of Expenditure (By Main Service Area)	Approved Estimate £	Projected Out-turn £	Probable Variance £
Environmental Services	7,743,650	7,747,510	+3,860
Management, Finance and Property	3,776,480	3,781,830	+5,350
Housing and Public Buildings	2,067,710	2,033,910	-33,800
Human Resources	666,430	666,100	-330
IT and Customer Services	2,537,000	2,539,050	+2,050
Legal and Democratic Services	1,998,160	2,004,130	+5,970
Leisure and Community Services	4,126,170	4,138,710	+12,540
Planning Services	2,120,070	2,132,900	+12,830
Policy and Economic Regeneration	685,710	683,710	-2,000
Revenues and Benefit Services	2,755,670	2,739,720	-15,950
TOTAL EXPENDITURE	28,477,050	28,467,570	-9,480

- 3.2 The approved estimate reflects commitments and grant income brought forward from 2005/06 together with updated budgets following the review of the medium term financial plan as previously reported to Committee in June and July 2006.
- 3.3 It therefore includes updated estimates for planning fees and benefit subsidy following the favorable budget out-turn for 2005/06.
- 3.4 Overall, projected expenditure is estimated to be approximately £9,000 below that budgeted overall across all general fund services. Within this, although there are no significant variances, there are 1 or 2 relatively larger variances that should be noted. These are summarised below.
- Reduction in staffing costs (£25k) in Housing due to the transfer of staff to Customer Services. This was planned as an efficiency saving but not built into the base budget until realised.
 - Increase in Energy Costs (£20k) in particular at Etwall Leisure Centre. Although the base budget allowed for above inflation increases in 2006/07, these further costs reflect the overall increases in energy prices generally across the economy.
 - Additional costs associated with the local plan (£11k). However, these may be covered by a further increase in income from planning fees. This continues to be monitored.
 - Decrease in cost of concessionary travel (22k) – the Council's contribution to the new scheme in 2006/07 appears to be lower than estimated. This also continues to be monitored, as it will ultimately depend on overall take-up.

Energy Costs and Other Efficiency Savings

- 3.5 As highlighted above, energy costs are projected at this stage to be higher than budget. However, the Council's Procurement Officer has recently re-negotiated the Council's energy contracts and this should generate future savings.
- 3.6 It is planned to provide more detail on this and progress against the Council's overall efficiency targets at the November Committee ahead of the 2007/08 budget round.

HOUSING REVENUE ACCOUNT (HRA)

- 3.7 The Council is required to account separately for income and expenditure in providing council housing. The situation as at June 2006 is summarised in the following table.

Analysis of Expenditure (By Main Service Area)	Approved Estimate 2005/06 £	Projected Out-turn 2005/06 £	Probable Variance £
Housing Repairs	2,932,730	2,933,730	+1,000
General Management	757,400	758,800	+1,400
Sheltered and Other Services	878,010	863,160	-14,850
Council Tax on Void Properties	5,110	5,110	0
Provision for Bad Debts	7,500	7,500	0
Capital Financing Charges	277,500	277,500	0
Payment to Government Pool	4,157,200	4,157,200	0
Cost of Rebates Remaining in HRA	60,000	60,000	0
Rent and Other Income	-9,398,200	-9,389,000	-9,200
Net Surplus	322,750	326,000	+3,250

- 3.8 The above table shows that the net surplus on the HRA is projected to be approximately £3,000 higher than the approved estimate after the first quarter. The variance on sheltered and other services is due to lower staffing costs. This covers a relatively small reduction in projected rent income for the year.

CAPITAL EXPENDITURE and FINANCING

- 3.9 The overall position as at July 2006 is summarised in the following table. The approved estimate includes the updated programme as approved at Committee in July 2006.

Analysis of Spending by Main Service/Project Area	Approved Estimate £'000	Spent at July 06 £'000	Projected Out-turn £'000	Projected Variance £'000
Council House Improvements	2,319,400	501,500	2,319,400	0
Disabled Facility Grants	527,900	138,500	527,900	0
Other Housing Investment	1,051,500	169,000	1,071,500	+20,000
Community Projects	1,125,550	208,700	1,218,450	+92,900
Environmental Schemes	73,100	28,100	73,100	0
Property and Other Assets	618,000	10,000	618,000	0
Total Expenditure	5,715,450	1,055,800	5,828,350	+112,900

3.10 The variances on other housing investment and community projects are summarised below.

- Additional enforcement works as part of the private sector housing programme (£20k). This is rechargeable and will be recovered and therefore, there are no additional resources required from the Council to meet this expenditure.
- Additional expenditure incurred on the Maurice Lea Park (MLP) and Rosliston Forestry Centre schemes (£92k). Of this, £70,000 has been funded by additional external contributions, with an additional 22k required from capital receipts for the MLP scheme. However, from 2007/08, the Council will receive additional revenue funding towards the maintenance costs of the park for 5 years. This will total approximately £90,000 over the 5-years.

Capital Receipts

3.11 The amount to be generated and usable for future capital investment was estimated at £1,333,500 for 2006/07. This was calculated based on the assumed sale of 60 council houses. In addition, it was estimated that £94,000 would be generated from other asset sales, mainly land identified as surplus to requirements.

Actual Receipts to-date

3.12 As at July 2006, 21 sales had been completed, with the usable amount being approximately £470,000. If this trend continues for the remainder of the year, 63 sales will be made, generating £1.4m, £70,000 above that estimated.

3.13 In addition, the target of £94,000 for the year in respect of other asset sales has already been achieved, with £98,000 generated. With other planned disposals being identified, this should generate further resources compared to that estimated.

CASH FLOW

3.14 An analysis of the Council's borrowing and short-term investments/bank deposits is summarised in following tables.

Borrowing	01/04/06 £'000	31/07/06 £'000
• Long Term Debt Outstanding	1,000	1,000
• Temporary Borrowings	171	238
Total Debt Outstanding	1,171	1,238
• Average Interest Rate – Long Term	4.875%	4.875%
• Average Interest Rate – Temporary	3.5%	3.5%
• Base Rate	4.5%	4.5%
Investments - Short Term Deposits	£850,000	£7,170,000
Average Interest Rate Earned	4.50%	4.55%
Target – Average 7-Day Rate (for comparison)	4.44%	4.50%

Analysis of Interest Paid/Received	Estimate for the Year £	Actual as at July 2006 £	Projected for the Year £
Short term Deposits	140,000	61,600	155,000
Less Temporary Loans	-23,650	-2,281	-12,000
Total – Net Interest Receivable	116,350	59,319	143,000

3.15 As can be seen, the Council continues to benefit from a positive cash flow position. At this stage, it is projected that this will generate additional money of approximately £27,000 compared to that estimated for 2006/07.

Lending Policy

3.16 This positive cash flow position is putting pressure on the lending limits set out in the Council's Investment Strategy. When the strategy was reviewed and approved in February 2006, the limit for specified investments for certain institutions was increased to reflect the lending situation.

3.17 The current lending list is shown in the following tables.

Institution	Limit
Specified Investments	
• UK Debt Management Office (DMO)	£10m
• Local, Police, Fire and Parish Authorities	£5m
• Other Bodies with a High Credit Rating of F1+/AA-	£7.5m

Non-Specified Investments	
• F1/AA Rated Bodies – First Call	£1m
• F1/A Rated Bodies – Second Call	£0.5m
• F2/A Rated Bodies – Third Call	£0.25m

General Policy

- 3.18 As approved, priority is given to specified investments in any decision. Non-specified investments generally cover the merchant or secondary-banking sector, including major UK building societies. It should be noted that F1 and F2 credit ratings are still considered to be fairly high ratings for short-term deposits.
- 3.19 Most deposits are placed on what is termed a “call” basis and means that the Council can recall those deposits immediately. However, given the increasing and more regular amounts available on deposit, the Council has started to place funds with building societies on a fixed term basis (2 to 3 months) when it is danger of breaching the limit on specified investments.
- 3.20 This tends to generate a slightly higher rate of return and also spreads the amount on deposit. However, the amounts of £1m and £1/2m on F1/AA and F1/A rated bodies are now considered too low. Therefore, it is proposed that they are increased to £2m and £1m respectively.

4.0 Financial Implications

4.1 As detailed above.

5.0 Corporate Implications

5.1 None associated directly with this report.

6.0 Community Implications

6.1 None associated directly with this report.

7.0 Background Papers

7.1 None