
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 14
DATE OF MEETING:	8th SEPTEMBER 2011	CATEGORY: DELEGATED
REPORT FROM:	CHIEF EXECUTIVE OFFICER	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) CHIEF FINANCE OFFICER Kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/financial monitoring reports/2011 2 September
SUBJECT:	BUDGET and FINANCIAL MONITORING 2011/12	REF
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

1.1 That the latest budget and financial monitoring figures for 2011/12 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 Chief Finance Officer. Again, overall performance is reported to this Committee throughout the year.
- 2.5 This is the first monitoring report for the financial year 2011/12. It details performance up to 30th June 2011 (the first quarter).

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 (effectively a budget deficit) being financed from the Council's Reserves.
- 3.2 The original budget which was approved in February 2011 estimated a budget deficit of £357,898 in 2011/12 to be financed from general reserves. Within the budget deficit, provisions were allowed for inflation and for one-off costs associated with the Pay and Grading review. A summary is provided in the following table.

General Fund: Estimated Budget Deficit 2011/12

Net Expenditure on Services	£11,556,638
Capital Charging Adjustments	-£369,425
Provisions	£615,059
Overall Net Revenue Expenditure	£11,802,272
Financing	
General Government Grant	-£5,960,805
New Homes Bonus	-£382,710
Council Tax Freeze Grant	-£119,456
Council Tax Payers	-£4,888,102
Earmarked Reserves	-£93,300
Total Financing	-£11,444,373
Estimated Budget Deficit 2011/12	£357,899

- 3.3 In line with normal monitoring arrangements, the position on the Revised Net Expenditure on Services (i.e. £11,556,638 in the above table continues to be reviewed.
- 3.4 This is the amount that is directly managed and controlled by the various budget holders across the Council. The Budget, together with major variances identified as at June 2011 is summarised in the tables, below. A full analysis of each service area at cost centre level with variances across each policy committee is detailed in **Appendices 1 to 3**.
- 3.5 The variances reflect issues that although projected to out-turn at this level, could change during the remainder of the year.

Performance against Budget 2011/12 as at June 2011 (by Committee)

Summary by Policy Committee	Approved Budget	Projected Actual	Projected Variance
Environmental and Development Services	3,790,754	3,838,124	47,370
Housing and Community Services	2,261,204	2,273,734	12,530
Finance and Management	5,504,679	5,499,033	(5,647)
TOTAL	11,556,638	11,610,891	54,253

Performance against Budget 2011/12 as at June 2011 (by Service)

Summary by Main Service Area	Approved Budget	Projected Actual	Projected Variance
Economic Regeneration	330,389	330,389	-
Environmental Services	617,180	615,585	(1,595)
Highways	10,354	10,354	-
Licensing and Land Charges	(73,208)	(69,425)	3,783
Planning	409,744	409,744	-
Town Centre	58,336	58,336	-
Waste Collection and Street Cleansing	1,592,744	1,580,804	(11,940)
Environmental Education	71,260	71,260	-
Transport Running Costs	773,955	831,077	57,122
Leisure and Recreational Activities	111,562	111,562	-
Leisure Centres and Community Facilities	599,152	599,152	-
Parks and Open Spaces	727,694	727,694	-
Private Sector Housing	471,814	471,814	-
Community and Development Support	285,243	296,511	11,268
Central and Departmental Accounts	3,163,360	3,153,526	(9,834)
Concessionary Travel	6,000	3,048	(2,952)
Corporate and Democratic Costs	797,600	797,600	-
Electoral Registration	208,330	208,330	-
Interest Payments / Receipts and Grant Aid	900,198	898,427	(1,771)
Internal Trading Accounts	65,738	67,000	1,262
Payments to Parish Councils	299,643	299,643	-
Property and Estates	26,720	28,467	1,747
Revenues and Benefits	102,828	109,992	7,164
TOTAL	11,556,638	11,610,891	54,253

- 3.6 The tables show that based on current income and spending, there will be an overall **increase** in net expenditure on services of approximately £54,000 compared to the Budget for the year.
- 3.7 It is usual for the first quarter of the financial year for only a few variances to be highlighted as most spending will not tend to vary until the year pans out.

Cost of Fuel

- 3.8 The most significant variance identified to-date is on the Transport Account, where the cost of fuel is anticipated to be approximately £30,000 above budget due to sharp price rises. It is unlikely that this will be contained over the remainder of the year unless prices fall over the remaining part of the year to compensate.
- 3.9 If necessary, the additional cost will need to be met by drawing down an amount from the central contingency for inflation which is held for such purposes.
- 3.10 A summary of the projected variances to-date is summarised in the following table.

Summary of Main Variances to-date – General Fund (figures in whole pounds)

Fuel (as above)	30,000
Agency staff and other Transport costs	27,000
Repair of wall at Melbourne Leisure Centre	11,268
Revenues System - upgrade of software to meet new system requirements	7,164
Sub-total	75,432
Street Furniture and sub-contractors (Street Cleansing)	-11,940
Central and Departmental Accounts	-9,834
Other variances	595
Total Projected Variance identified to-date	54,253

Income

- 3.11 The Council's budget is still reliant on generating income from planning fees, building regulations, licensing and land charges, etc. To-date, most income streams are on track. The only slight concern at this stage (due to the budget size) is income from development control (planning fees).
- 3.12 The budgeted income for the year is £538,000; income received to-date (as at July 2011) was £165,000. On a straight line basis, this would out-turn at approximately £495,000.

Other Potential Cost Pressures

- 3.13 An on-going licensing and enforcement issue could lead to extra costs being incurred by the Council. This is being reviewed and will be reported at the next Committee depending on what outcomes transpire.

HOUSING REVENUE ACCOUNT (HRA)

- 3.14 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.
- 3.15 The HRA Budget set in February 2011 included drawing down HRA Reserves of £656,895 to finance an estimated budget deficit for 2011/12. This included a provision of approximately £109,000, mainly to cover inflation.
- 3.16 Performance on the HRA is summarised in **Appendix 4**. No variances are anticipated to-date with both the repairs budget and rent income on track.

CAPITAL EXPENDITURE and FINANCING 2011/12

- 3.17 The updated Capital Programme following the budget out-turn for 2010/11, together with confirmation of grant funding for 2011/12, is shown in **Appendix 5**. The overall position on gross expenditure (before external financing) as at July 2011 is summarised in the following table.

Analysis of Capital Expenditure as at June 2011

ANALYSIS OF SPENDING BY MAIN SERVICE/PROJECT AREA	APPROVED ESTIMATE £	SPENT AT JULY 2011 £
Council House Improvements (note 1)	2,817,429	413,464
Private Sector Housing Renewal	386,810	114,382
Leisure and Community Schemes	633,457	110,026
Environmental and Development Schemes	30,000	0
Property and Other Assets (note 2)	413,139	0
Total Expenditure	4,280,835	637,872

Note 1: This includes the final repayment of Covenants of £390,800 for which expenditure is not incurred until the year-end. It also includes £307,709 to complete the Sheltered Housing Vision.

Note 2: This includes a contribution of £225,000 to the Vehicle Replacement Fund which is also accounted for at the year-end.

- 3.18 Generally, all schemes are running as planned and no major variances are anticipated at this stage.

Private Sector Housing Renewal

- 3.19 This budget has been reduced by £31,000 from that budgeted. An estimated provision of £300,000 was allowed in respect of the Government's allocation in 2011/12. This has now been fixed at £269,000 (£31,000 lower). In addition, this allocation has been provided for Disabled Facility Grants.

3.20 Following the ending of the Decent Homes / Renewal Programme funding on 31st March 2011, no further resources have been earmarked specifically for works associated with dealing with “unfit” homes in the private sector. In recent years, the Council has received funding of £300,000 to £400,000 to improve standards in the private sector stock.

Capital Receipts

3.21 The Financing Programme made no provision for any new capital receipts being generated in 2011/12. To-date, there has been 1 council house sale, 2 small land disposals and the granting of an easement to lay services in Swadlincote. After “pooling, fees and support service costs charged to the Capital Account, this currently nets additional resources of £42,000.

3.22 In addition to this, the Council received £3,074,276 from its share of the sale of Bretby Crematorium. This potentially releases resources for new capital investment. The mechanism and framework for doing this is subject to a separate report elsewhere on this Committee's Agenda.

TREASURY MANAGEMENT

3.23 An analysis of the Council's borrowing and short-term investments/bank deposits is summarised in the table, below. This shows the position to 31st July 2011.

Analysis of Borrowing and Short-term Investments

Borrowing	01/04/11 (Start of Year)	31/07/11
• Long Term Debt Outstanding	£1,000,000	£1,000,000
• Temporary Borrowings	£5,133,367	£133,367
Total Debt Outstanding	£6,133,367	£1,133,367
• Interest Rate on Long term - fixed at:	4.875%	4.875%
• Interest Rate Paid on Temporary Borrowings	0.75%	0.00%
• Base Rate (Since 5th March 2009)	0.50%	0.50%
Short-term Investments		
• Bank Deposits and Other Investments	£6,416,500	£7,238,000
Average Interest Rate Earned (on Investments)	0.80%	0.97%
Target – Average 7-Day Rate (for comparison)	0.56%	0.58%

Analysis of Interest (Paid)/Received	Estimate for the Year £	Projected for the Year £
Short term Deposits	52,500	60,700
Less Temporary Loans	0	(9,450)
Total – Net Interest Receivable	52,500	51,250

3.24 The estimate for the year was based on an average cash balance on deposit for the year of £3m, with an average interest rate of 1.75% as set out in the MTFP. However, it is unlikely that a rate of 1.75% will be achieved this year unless interest rates rise sooner rather than later; many economists suggest that this still is unlikely.

3.25 The average rate earned to-date is just under 1%. The overall performance is, however, holding up due to a higher level of funds on deposit - £6.25m on average to-date. This has been helped by the money received for the sale of Bretby Crematorium which is currently being held on deposit.

3.26 The short-term borrowing taken out in March 2011 to cover the shortfall in year-end cash flow was repaid in May 2011. This was detailed as part of the Treasury Management Annual Report which was reported to the Committee on 29th June 2011.

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

ENVIRONMENTAL & DEVELOPMENT SERVICES COMMITTEE

Approved Budget £

Projected Actual £

Projected Variance £

Notes/Comments/Risks/Major Variances

	Approved Budget £	Projected Actual £	Projected Variance £	Notes/Comments/Risks/Major Variances
Economic Development				
CCF00 Tourism Policy, Marketing & Development	101,257	101,257	-	
CPH70 Promotion and Marketing of the Area	229,132	229,132	-	
TOTAL - Economic Development	330,389	330,389	-	
Environmental Services				
CEE10 Pollution Reduction	279,596	279,596	-	
CEE00 Food Safety	103,541	103,541	-	
CEE20 Housing Standards	775	775	-	
CEE30 Health and Safety at Work	68,272	68,272	-	
CEE80 Public Conveniences	42,101	38,000	(4,101)	Underspend of repairs and maintenance profiled budget.
CEE50 Pest Control	18,925	21,431	2,506	Income down against budget profile for the first quarter of 2011/12
CEH00 Community Safety (Safety Services)	103,220	103,220	-	
KGW00 Welfare Burials	750	750	-	
TOTAL - Environmental Services	617,180	615,585	(1,595)	
Highways				
NAC60 Repairs to Bus Shelters	29,894	29,894	-	
HTK10 County Agency	(19,540)	(19,540)	-	
TOTAL - Highways	10,354	10,354	-	
Licensing and Land Charges				
CEE70 Licensing	(42,613)	(47,824)	(5,211)	Income up on profiled budget for first quarter of 2011/12
ACL00 Local Land Charges	(30,595)	(21,601)	8,994	Income down against budget profile for the first quarter of 2011/12 by £9k. Income expected to recover later in the year.
TOTAL - Licensing & Land Charges	(73,208)	(69,425)	3,783	
Planning				
CPB00 Building Regulations	(197,500)	(197,500)	-	Fee income on target with profiled budget for first quarter of 2011/12
CPB10 Building Control Enforcement	281,999	281,999	-	
CPC00 Development Control Advice and Applications	(32,965)	(32,965)	-	Fee income down on profiled budget by approximately £25,000
CPC10 Dealing with Development Control Applications	-	-	-	
CPD10 Structure and Local Planning	357,710	357,710	-	
ACG00 Emergency Planning	500	500	-	
TOTAL - Planning	409,744	409,744	-	

ENVIRONMENTAL & DEVELOPMENT SERVICES COMMITTEE
Notes/Comments/Risks/Major Variances

Town Centre		Approved Budget	Projected Actual	Projected Variance
		£	£	£
HTP10	Off-Street Parking	58,336	58,336	-
TOTAL - Town Centre		58,336	58,336	-

Waste Collection & Street Cleansing		Approved Budget	Projected Actual	Projected Variance
		£	£	£
CEE60	Public Health	(500)	(500)	-
CEW00	Household Waste Collection	777,364	777,364	-
CEW10	Trade Waste Collection	(239,800)	(239,800)	-
CEW20	Recycling	531,277	531,277	-
CEW60	Trade Waste Disposal	104,180	104,180	-
CES00	Street Cleansing (not chargeable to highways)	420,223	408,283	(11,940)
TOTAL - Waste Collection & Street Cleansing		1,592,744	1,580,804	(11,940)

Spend on street furniture and sub contractor budgets down on profiled budget for first quarter of 2011/12

Environmental Education		Approved Budget	Projected Actual	Projected Variance
		£	£	£
CPE10	Environmental Education	71,260	71,260	-
TOTAL - Environmental Education		71,260	71,260	-

Central & Departmental Accounts		Approved Budget	Projected Actual	Projected Variance
		£	£	£
PSX90	Transport Services	773,955	831,077	57,122
TOTAL - Central & Departmental Accounts		773,955	831,077	57,122

Based on first quarter expenditure fuel is likely to overspend by £30k. Also, the Budget Manager is predicting an overspend against the Agency Staff budget of £20k.

Environmental & Development Services Committee Total		3,790,754	3,838,124	47,370
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HOUSING & COMMUNITY SERVICES COMMITTEE

Approved Budget £
Projected Actual £
Projected Variance £

	Approved Budget £	Projected Actual £	Projected Variance £	Notes/Comments/Risks/Major Variances
Community Development and Support				
CEG00 Community Safety (Crime Reduction)	184,545	184,545	-	
CEK00 Defences Against Flooding	45,088	45,088	-	
CPH20 Market Undertakings	439	439	-	
CCD00 Community Centres	55,171	66,439	11,268	Overspend incurred repairing a wall at Melbourne Leisure Centre
Total - Community Development and Support	285,243	296,511	11,268	

Leisure and Recreational Activities				
CCA10 Arts Development & Support	60,668	60,668	-	
CCA20 Heritage	10,160	10,160	-	
CCA40 Theatres & Public Entertainment (Incls Festival of Leisure)	40,734	40,734	-	
Total - Leisure and Recreational Activities	111,562	111,562	-	

Leisure Centres and Community Facilities				
CCD20 Sports Development & Community Recreation	195,788	195,788	-	
CCD30 Indoor Sports & Recreation Facilities	403,364	403,364	-	
Total - Leisure Centres and Community Facilities	599,152	599,152	-	

Parks and Open Spaces				
CCE00 Community Parks & Open Spaces	584,700	584,700	-	
CCE10 Countryside Recreation & Management	14,265	14,265	-	
CCE20 Allotments	(572)	(572)	-	
CCF20 Visitor Centres (Rosliston)	83,760	83,760	-	
CEA00 Cemeteries	41,281	41,281	-	
CEA30 Closed Churchyards	4,260	4,260	-	
Total - Parks and Open Spaces	727,694	727,694	-	

Private Sector Housing				
KG A00 Housing Strategy	77,978	77,978	-	
KG D00 Housing Advice	51,579	51,579	-	
KG E10 Administration of Renovation & Improvement Grants	190,641	190,641	-	
KG H00 Hostels (Non HRA Support)	-	-	-	
KG H10 Bed / Breakfast Accommodation	12,500	12,500	-	
KG H40 Homelessness Administration	117,316	117,316	-	
KG T00 Travellers' Sites	(20,597)	(20,597)	-	
KG X00 Housing Department Support Staff and Costs	42,397	42,397	-	
Total Private Sector Housing	471,814	471,814	-	

Internal Trading Accounts				
KJE40 Caretaking and Office Cleaners	65,738	67,000	1,262	Variance due to overtime payment
Total - Internal Trading Accounts	65,738	67,000	1,262	

Housing & Community Services Committee Total	2,261,204	2,273,734	12,530	
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FINANCE & MANAGEMENT COMMITTEE

Approved Budget £
 Projected Actual £
 Projected Variance £

Central and Departmental Accounts

	Approved Budget £	Projected Actual £	Projected Variance £	Notes/Comments/Risks/Major Variances
PSX40 Senior Management	345,448	366,785	21,337	One-off cost associated with restructure - to be amended in MTFP
PSX50 Reprographic/Print Room	79,874	79,874	-	
PSX55 Financial Services	333,946	333,946	-	
PSX56 Internal Audit	125,553	107,921	(17,632)	Saving from vacant post of Senior Auditor
PSX60 ICT Support	651,727	646,785	(4,942)	Savings from IT and telephone hardware and software purchases
PSX65 Legal Services	71,362	68,528	(2,834)	
PSX75 Personnel/HR	253,407	253,407	-	
PSX76 Policy & Communications	235,181	235,181	-	
PSX77 Customer Services	557,172	555,574	(1,598)	Saving on equipment lease
PSX78 Health & Safety	38,195	36,682	(1,513)	
PSX95 Procurement Unit	157,427	154,775	(2,652)	Savings on protective clothing
PSX81 Admin Offices & Depot	314,068	314,068	-	
Total - Central and Departmental Accounts	3,163,360	3,153,526	(9,834)	

Revenues and Benefits

ACA00 Council/Non Domestic Rates Tax Collection	66,986	66,986	-	
ACA30 Council Tax Benefits	(26,984)	(26,984)	-	
KGL00 Rent Allowances Paid	31,520	31,520	-	
KGL10 Non-HRA Rent Rebates	48,000	48,000	-	
KGN00 Rent Rebates	30,000	30,000	-	
KGPO0 Housing Benefits Administration and Fraud	(46,694)	(39,530)	7,164	Software upgrade
Total - Revenues and Benefits	102,828	109,992	7,164	

Electoral Registration

ACE00 Registration of Electors	23,383	23,383	-	
ACE10 Conducting Elections	184,947	184,947	-	
Total - Electoral Registration	208,330	208,330	-	

Corporate and Democratic Costs

AAD00 Democratic Representation & Management	617,084	617,084	-	
AAM00 Corporate Management	118,301	118,301	-	
AAM01 Corporate Finance Management	62,215	62,215	-	
Total - Corporate and Democratic Costs	797,600	797,600	-	

FINANCE & MANAGEMENT COMMITTEE

Approved Budget £ Projected Actual £ Projected Variance £

Notes/Comments/Risks/Major Variances

Payments to Parish Councils		Approved Budget	Projected Actual	Projected Variance	Notes/Comments/Risks/Major Variances
		£	£	£	
ACT01	Parish Councils (Concurrent Functions)	299,643	299,643	-	
Total Payments to Parish Councils		299,643	299,643	-	
Concessory Travel					
HTT00	Concessory Fares	6,000	3,048	(2,952)	Saving on stationary budget
Total - Concessory Travel		6,000	3,048	(2,952)	
Property and Estates					
PSX85	Estate Management	26,720	28,467	1,747	
Total - Property and Estates		26,720	28,467	1,747	
Interest Payments and Receipts					
W4A00	Interest & Investment Income	32,150	30,379	(1,771)	
ABP00	Funded Pension Schemes	374,262	374,262	-	
KJW00	Debt Management Costs	137,364	137,364	-	
ACT00	General Grants, Bequests & Donations	356,422	356,422	-	
Total - Interest Payments and Receipts		900,198	898,427	(1,771)	
Finance & Management Committee Total		5,504,679	5,499,033	(5,647)	

Housing Revenue Account

	Housing Revenue Account	Approved Budget £	Projected Actual £	Projected Variance £	Notes/Comments/Risks/Major Variances
KGX00	Housing Department Support Staff and Costs (HRA)	1,294,539	1,294,539	-	
KJA00	DLO Trading Account	-0	-0	-	Holding account, costs transferred into Repairs Account (below)
KJA10	Repairs and Planned Maintenance (HRA Revenue)	3,043,553	3,043,553	-	Repair budgets on target as per first quarter profiled budget
KJA20	Rechargeable Works	-15,600	-15,600	-	
KJC10	Managing Tenancies (HRA)	129,225	129,225	-	
KJC20	Rent Collection and Accounting (HRA)	-10,244,974	-10,244,974	-	Rent budgets on target in first quarter of 2011/12 as there were no dwellings sold and rent loss to voids equated to 0.66% of rent debit.
KJC40	Right to Buy Interest (HRA)	-27	-27	-	
KJE90	Sheltered and Warden Services (HRA)	455,788	455,788	-	
KJP00	Transfer of HRA Subsidy Surplus to CLG	4,011,683	4,011,683	-	
KJR00	Increase/Decrease in Provision for Bad or Doubtful Debts (HRA)	20,000	20,000	-	
KJT00	Depreciation and Impairment - Dwellings (HRA)	1,925,343	1,925,343	-	
KJW00	Debt Management Costs	37,365	37,365	-	

Total

656,895

656,895