
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM:10
DATE OF MEETING:	30th APRIL 2009	CATEGORY: DELEGATED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (595811)	DOC: u/ks/financial monitoring reports/2009 – 2 March
SUBJECT:	BUDGET and FINANCIAL MONITORING 2008/09 – PROVISIONAL OUT-TURN	REF
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the latest budget and financial monitoring figures for 2008/09 are considered and approved.
- 1.2 That the proposals to carry forward resources from 2008/09 to 2009/10 as summarised in section 3.16 are approved.
- 1.3 That government grant of £9,758 for amendments to revenue systems is transferred to the I.T. Reserve.
- 1.4 That £20,000 for upgrading financial systems is transferred to the I.T. Reserve.

2.0 Purpose of Report

- 2.1 The Council is expected, in demonstrating a proper use of its resources, to monitor income and expenditure against its base budget on a regular basis throughout the year. This is undertaken generally on a monthly basis, and weekly on some of the more volatile and higher risk budgets such as housing repairs.
- 2.2 A fundamental 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.

- 2.4 In accordance with its Treasury Management Strategy, the Council monitors its lending and borrowing on a regular basis.
- 2.5 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.
- 2.6 2008/09 has been a relatively exceptional year due to the affects of the economic situation, the volatility of financial markets and implementation of the new national concessionary travel scheme. These in particular, have altered the Council's financial situation quite markedly as the year as progressed.
- 2.7 Effectively, this report provides the initial indication of the actual out-turn for 2008/09. Figures are not yet final; adjustments for accruals, final capital accounts, subsidy claims, etc are still to be completed. However, this report should provide a good indication of the final position on the Council's accounts.

3.0 Detail

GENERAL FUND REVENUE ACCOUNT

Summary from Previous Monitoring Reports

- 3.1 Reports throughout the year have detailed a projected over spend on the General Fund for the year 2008/09 of upto £400,000. This has mainly been due to the effects of the economic downturn.
- 3.2 Actions during the year have been implemented and monitored to mitigate the effects of this situation, such as reviewing resources in Planning Services and revised pricing for land charges and building regulations.
- 3.3 The most recent reports in January and March did however indicate a slightly better position overall, mainly due to reductions in spending in certain areas, compared to that budgeted.
- 3.4 In addition, during the later part of this financial year, the Council has been able to build in the benefits of the new concessionary travel scheme that has had a significant and positive effect on the overall financial position for the year.
- 3.5 Consequently, the last report in March, projected a net underspend overall on the General Fund of approximately £300,000. This included a provisional £25,000 pending the national pay award for employees being settled lower than the budget provision.

Latest Position

- 3.6 In line with normal monitoring arrangements, the position on the General Fund has been updated as at the end of February 2009, updated for any known changes of a significant nature during the final few weeks of the financial year. The latest variances are summarised in **Table 1**.

Table 1

ANALYSIS OF EXPENDITURE (BY MAIN SERVICE AREA)	APPROVED BUDGET 2008/09 £	PROJECTED VARIANCE (@ JAN 09) £	PROJECTED VARIANCE (@ FEB 09) £
Environmental Services	3,179,312	(105,500)	(95,188)
Management, Finance and Property	1,033,756	65,100	54,238
Private Sector Housing and Public Buildings	1,528,910	2,100	(4,790)
Organisational Development	593,751	(10,200)	(39,046)
IT and Business Improvement	954,251	(15,200)	(31,670)
Legal and Democratic Services	844,837	(9,600)	13,057
Leisure and Community Development	2,240,146	(21,300)	(26,275)
Planning Services	244,183	246,200	234,878
Customer Services (including Revs & Bens)	1,626,533	(426,500)	(466,268)
Minimum Revenue Provision	306,000	0	0
Pensions	1,635,193	0	(10,457)
Provisions	185,000	0	(185,000)
Contribution to Capital	19,300	0	0
Internal Recharges (income to the G Fund)	(2,009,605)	0	0
OVERALL NET REVENUE EXPENDITURE	12,381,567	(274,900)	(556,521)

Note – variance figures in brackets denote less expenditure or more income

- 3.7 The table now shows a projected underspend of £556,521 for 2008/09, compared to £274,900, previously, an improved position of £ £281,621. However, it should be noted that the main reason for this is the “reduction” in provisions of £185,000 as highlighted in the table.
- 3.8 This was set-aside in 2008/09 for temporary costs associated with the Pay and Grading Review and additional one-off support to the Voluntary and Community Sector. These amounts have not been required or committed during the year, but will now need to be carried forward for 2009/10.
- 3.9 The reasons for the remaining change of approximately £95,000 are summarised as follows:
- Confirmation of the national pay award for employees of 2.75% for 2008/09 lower than the 3% estimated - £25,000.
 - Lower concessionary travel costs following revised data on location of fare stages - £40,000.
 - One-off vacancies in Environmental Health, Organisational Development and Leisure Services - £30,000 for the year confirmed.

Proposed Carry Forwards Already Approved

- 3.10 Against the projected underspend, at its meeting in March, the Committee approved the carry forward of funds (subject to the final out-turn) to supplement spending in 2009/10. These are summarised as follows:

- Civic Offices – Repair and Maintenance - £14,500
- Training and Development - £10,000
- IT Reserve - £15,000
- Local Assessment Regime and Electoral Registration - £30,000
- Etwall Leisure Centre - £22,600

Additional Proposals

- 3.11 Further requests have now been received. Firstly, from the Head of Environmental Services to carry forward £8,000, utilising an under spend on the Waste Management (kerbside collection) budget for 2008/09.
- 3.12 This is in respect of calendars, the cost of which was fully met by the Council's contractor for 2009. However, for 2010, new calendars will be issued, the cost of which will be met by the Council directly.
- 3.13 In addition, £10,000 on Street Cleansing to be used to support the activities of the Cleaner South Derbyshire campaign and £5,000 to provide additional inspections for local food businesses to assist them to improve their "scores on the doors" assessment.
- 3.14 Secondly, the Head of Leisure and Community Development is requesting £5,500 to support Economic Development promotions in 2009/10. This is linked to staffing absences during the year. It is proposed that the funds will be used to support the Council's business support activities in response to the economic downturn, such as staging business events.
- 3.15 The Committee will recall that the budget for Economic Development will drop by £25,000 in 2009/10 with the conclusion of a Service Development Proposal that supported the implementation of the Economic Development Strategy. The proposed carry forward of underspend will reduce the impact of this in 2009/10.
- 3.16 Furthermore, proposals have been put forward to transfer a further £36,758 to the I.T. Reserve to meet the cost of system changes to the Council's main revenue and financial systems. This is made up of some government grant received and savings made on the I.T. and Organisational Development budgets in 2008/09 as detailed later in the report.

Overall Effect on General Reserves

- 3.17 After allowing for these carry forwards, together with the need to hold over the provisions for temporary costs associated with the Pay and Grading Review and additional one-off support to the Voluntary/Community Sector, the level of reserves will increase as follows:

Overall projected underspend as shown in Table 1	£556,521
Less provisions not utilised	-£185,000
Less proposed carry forwards already approved (subject to final out-turn)	-£92,100
Less proposed carry forward of Environmental Services budgets	-£23,000
Less proposed carry forward of Economic Development Budget	-£5,500
Less proposed transfer to I.T. Reserve for Revenue and Financial Systems	-£36,758
Indicative <u>increase</u> in General Reserves 08/09 (over that budgeted)	£214,163

Reasons for Divisional Variances

3.18 As usual, analysis of the projected variances in **Table 1** is summarised in the following sections.

Environmental Services

3.19 The reasons for the overall positive variance of approximately £95,000 are virtually the same as previously reported and are summarised as follows:

- Increase in Kennel Fees - £8,000
 - Other Variances - £2,000
- BUT**
- Increase in Licensing Income - (£40,000)
 - One-off staff vacancies – (£40,000)
 - Costs of Waste Collection – (£25,000)

Management, Finance and Property

3.20 The overall variance of £54,200 shows an improvement of approximately £11,000 compared to the previous month of £65,100. This is mainly due to some additional interest being received for a delay in grant being made available for Growth Point funded schemes.

Private Sector Housing and Public Buildings

3.21 The overall variance has slightly improved due to lower net costs (after rent and contributions) of dealing with homelessness cases. Other variances as previously reported, i.e. lower maintenance costs in the Civic Offices and higher energy costs on the main public buildings, remain.

3.22 In summary, the overall positive variance of just under £5,000 is summarised as follows:

- Increase in cost of gas and electricity on Civic Offices and Darklands Road Depot - £17,000.

Offset by

- Lower maintenance costs of Civic Offices - £14,500 (approved carry forward).
- Homelessness - £7,500.

Organisational Development

3.23 The Committee will be aware of the integration of previous service areas into this Division during the last 6 months. In particular, this relates to the Council's Policy and Communications functions following a management restructure. This included a review and merging of spending and on-going budgets in these areas.

- 3.24 The whole Division is now fully resourced and this has resulted in a one-off saving in this year of approximately £39,000 due mainly to the filling of new posts being later than envisaged and vacancies elsewhere in the Division.
- 3.25 Approval has previously been given for £10,000 to be carried forward into 2009/10 to supplement the on-going training and development programme for senior, middle and first line managers.

I.T. and Business Improvement

- 3.26 The overall base budget for hardware and software replacement will not be fully utilised in the year. In accordance with Council policy, it is recommended that the remaining amount of approximately £22,000 at this stage be transferred into the I.T. Reserve to cover future replacements.
- 3.27 As reported last month, budgets for protective clothing and stationery from across all services have been centralised within the Business Improvement Unit. It is considered that this will enable current spending to be streamlined by better use of service contracts and procurement under one source for these particular supplies.
- 3.28 Savings of approximately £9,000 (mainly on protective clothing) are now projected for 2008/09. Together with the reduction in I.T. spending compared to budget, this produces a positive variance of approximately £31,000 (£22,000 + £9,000).

Legal and Democratic Services

- 3.29 The overall variance has worsened since the last report. This is due to a further projected shortfall in net income compared to the budget of approximately £20,000 from Land Charges. Overall, net income is now projected to be down by approximately £82,000 compared to budget.
- 3.30 However, as previously reported, temporary reductions in salaries and other departmental costs within the service area reduce this down to a projected net overspend at this stage of approximately £13,000 overall. Approval has previously been given for £30,000 to be carried forward to meet any future costs of the Local Assessment Regime and Electoral Registration.

Leisure and Community Development

- 3.31 The position overall remains virtually unchanged, with a slight improvement of £5,000. The projected underspend of approximately £26,000 is summarised below.
- Additional staffing costs on the Tourism service due to cover for staff absences (£8,000).
 - Reduction in income from Burial Fees (£16,000).

Offset By

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- Provision of £22,600 to cover transitional costs of moving to the new leisure centre in Etwall not utilised. Approval has been given for this to be carried forward into 2009/10.
- Reduction in overall operational costs of parks, grounds maintenance and leisure facilities of £20,000.
- Other savings (mainly vacant posts) across the Division compared to budget of £7,400.

Planning Services

3.32 The overall variance of approximately £234,000 (net overspend) is a slight improvement on that reported previously. Reductions in income (compared to budget) are unchanged, although the net cost of Inquiries is now likely to be slightly less than previously indicated.

3.33 The overall projected variance is summarised as follows:

- Reduction in income from Building Regulations - £100,000
- Reduction in income from Development Control (Planning Fees) - £70,000
- Legal and Professional Costs associated with Inquiries - £135,000
- Additional staffing-part year (as approved) - £44,000
- Offset by additional Housing and Planning Delivery Grant – (£115,000)

3.34 Two major planning applications are still anticipated but are now likely to be received in the early part of 2009/10.

3.35 In addition, there is some further commitment from outstanding contributions to the Planning Inquiries of a minimum of £25,000.

3.36 As previously reported, the Environmental and Development Services Committee (6th January) reviewed current charges for the Building Control Service and subsequently approved an increase in rates. (Details can be found at <http://cmis.south-derbys.gov.uk/CMISWebPublic/Binary.ashx?Document=3763>)

3.37 This may also help to generate some additional income to help the longer-term position.

Customer Services, including Revenues and Benefits, Concessionary Travel

3.38 Clearly, this is the biggest variance compared to budget and has improved by approximately £40,000 from the previous month. This is due to the revised costs of concessionary travel for 2008/09 now being built into the projected out-turn for the year as reported to the Committee in January.

3.39 This equates to a gain totalling approximately £520,000 in 2008/09 compared to the current budget – this being based on the previous cost allocation model.

3.40 However, as previously reported, there remains pressure in the service due to a significant increase in the number of benefit applications in recent months.

Subsequently, temporary resources have been employed to maintain performance in processing claims, which will cost around £20,000.

- 3.41 On this point, the Council has been awarded additional Government grant of £38,392 for 2009/10 to deal with pressures in this area. Although this will not help to offset costs in 2008/09, it will be used to meet any on-going costs next year.
- 3.42 The updated medium-term financial plan reported to Committee in January, assumed additional benefit subsidy of £50,000 for 2008/09 based on the latest calculations, although this has not been built into the budget at this stage.
- 3.43 In addition, due to extra work undertaken by the Council's External Auditor's on the Benefit Subsidy return for 2007/08, additional fees are likely. This is still to be fully agreed but is likely to be in the region of £35,000.
- 3.44 Due to additional audit requirements, there may be on-going implications for future year costs associated with grant claims in this area. This will be considered as part of the next review of the medium term financial plan.
- 3.45 For clarification, the overall positive variance for the Division of approximately £465,000 for 2008/09 is summarised as follows:
- Reduction in cost of concessionary Travel - £520,000
- But**
- Additional staffing costs - £20,000, and
 - Additional audit fees - £35,000.

Update on Housing Benefit Subsidy

- 3.46 As regards the additional work still on-going regarding subsidy, the Council had set-aside in its accounts a sum of £482,000 for suspended benefit cases. This was in response to the DWP notifying the Council that it was reviewing, with an intention to reclaim, any ineligible subsidy it has paid to the Council in previous years (dating back to 2005/06) in respect of certain housing benefit cases.
- 3.47 The current provision in the Council's accounts as at 31st March 2008 is estimated to cover a claw back of subsidy for 2005/06, 2006/07 and 2007/08. It was previously reported that no amounts were due for 2005/06 with £7,000 owing for 2006/07.
- 3.48 Consequently, the provision was reduced to £382,000 in October 2008. Current estimates suggest (subject to the outcome above) that a liability of up to £115,000 could be due for the final year under review, i.e. 2007/08. This would make a maximum liability of £122,000 (£7,000 + £115,000) against the provision of £382,000.

Changes to Revenues and Financial Systems

- 3.49 During late March, the Council received a one-off payment in the form of grant from the Government, totalling £9,758. This was in recognition of the need to

make amendments to revenue systems to cope with new requirements for reporting information associated with council tax and business rate demands.

- 3.50 Although the Council has not incurred any additional costs to-date outside of current resources, it is proposed that this amount is set-aside in the I.T. Reserve to meet future costs of system developments. This would also satisfy the conditions associated with this particular grant.
- 3.51 In addition, the Council has received notice that the main financial management system will be downgraded within the next 12 to 18 months and certainly by March 2011. The suppliers of the system have now issued an upgraded version of the current software.
- 3.52 Although the Council can continue with the current version and does not need to upgrade, it does present a business risk in that the supplier will not support an old version of the system indefinitely. In addition, the Council would also miss an opportunity to take advantage of greater functionality.
- 3.53 The software itself is provided at no extra cost under the terms of the license agreement. However, there are likely to be costs associated with implementation and training. Therefore, it is proposed that a further amount of £20,000 is transferred to the I.T. Reserve from the underspendings on the I.T. and Organisational budgets in 2008/09.

HOUSING REVENUE ACCOUNT (HRA)

- 3.54 The Council is required to account separately for income and expenditure in providing Council Housing. The financial position as at February 2009 is summarised in **Table 2**, below.

Table 2

ANALYSIS OF EXPENDITURE (BY MAIN SERVICE AREA)	APPROVED BUDGET 2008/09 £	PROJECTED VARIANCE (@ JAN 09) £	PROJECTED VARIANCE (@ FEB 09) £
Housing Repairs	3,150,530	(50,000)	(82,600)
General Management	1,037,228	1,600	6,000
Sheltered and Other Services	879,672	49,200	47,460
Council Tax on Void Properties	1,856	(100)	(100)
Provision for Bad Debts	7,500	0	0
Capital Charges	1,967,547	0	0
Payment to Government Pool	2,825,212	0	0
Rent and Other Income	(9,819,024)	(133,100)	(110,695)
Net DEFICIT/(SURPLUS)	50,521	(132,400)	(139,935)

Note – variance figures in brackets denote less expenditure or more income

- 3.55 The above table shows that the net surplus on the HRA is projected to be approximately £139,000 higher than estimated.

- 3.56 The additional income in the table of £108,000 is mainly due to additional rent of £29,000 (fewer “right to buys” than estimated) together with additional take-up of the Careline Service of £80,000.
- 3.57 To a certain extent, this extra income is being offset by additional staffing costs of approximately £45,000 as shown in “Sheltered Services” to support Careline. The Committee approved this enhancement to the Service in October 2008.
- 3.58 The other major variance is on the Repairs budget. As this is towards the full year-end, it now provides a good indication of actual spending on what is a volatile and demand led budget during the year.

CAPITAL EXPENDITURE and FINANCING

- 3.59 The overall position on gross expenditure (before external financing) as at March 2009 is summarised in table 3, below.

Table 3

ANALYSIS OF SPENDING BY MAIN SERVICE/PROJECT AREA	APPROVED ESTIMATE £	SPENT AT JAN 09 £	SPENT AT MAR 09 £
Council House Improvements	2,867,500	2,112,453	2,837,538
Disabled Facility Grants	692,920	548,303	672,390
Other Housing Investment	763,100	468,853	521,697
Leisure and Community Schemes	1,320,490	1,092,994	1,236,988
Environmental Projects	185,200	153,429	228,851
Property and Other Assets*	616,050	200,440	465,896
Growth Point Schemes	505,000	122,568	193,641
Total Expenditure**	6,950,260	4,699,040	6,157,001

* Note – Year-end contribution to the renewals fund still to be made.

** Note – spending at March 09 is final, pending any final accruals required for outstanding contracts and accounts. These are currently being estimated.

- 3.60 As the above table shows, overall spending is due to come close within the budgeted programme, after final accruals and contributions have been made. This is good progress compared to recent year’s as there has been more “slippage” on budgeted programmes.
- 3.61 At this stage, it is anticipated the main area where resources will need to be carried forward are on Growth Point Schemes. This is due to the delay in funding being released regionally. However, it has been agreed that the Council will be able to carry forward any unspent resources into 2009/10.

3.62 The apparent overspend on Environmental projects will be financed by a provision set-aside of £50,000 in the General Fund for addressing grass verge damage from off street parking.

3.63 Previous issues associated with works at Rosliston Forestry Centre and on the Play Schemes project have been resolved and financed.

Capital Receipts

3.64 The revised financing programme approved by the Committee in February, highlighted asset sales for the year of approximately £130,000 (including council house sales). This was based on actual disposals up to September 2008, with no further sales anticipated for the remainder of the financial year.

3.65 There has been a further council house sale during February. This will generate resources after payment to the national government pool of £17,000.

TREASURY MANAGEMENT

3.66 An analysis of the Council's borrowing and short-term investments/bank deposits is summarised in table 4, below.

Table 4

Borrowing	01/04/08	31/03/09
• Long Term Debt Outstanding	£1,000,00	£1,000,000
• Temporary Borrowings	£223,326	£223,236
Total Debt Outstanding	£1,223,326	£1,223,236
• Interest Rate on Long term - fixed at:	4.875%	4.875%
• Interest Rate on Temporary –1% below Base	4.25%	0.00%
• Base Rate (Latest change was on 5th March)	5.25%	0.50%
Short-term Investments		
• Bank Deposits and Other Investments	£3,662,400	£1,800,000
Average Interest Rate Earned (on Deposits)	5.79%	0.5%
Target – Average 7-Day Rate (for comparison)	5.45%	0.5%
	Estimate for the Year £	Projected for the Year £
Analysis of Interest (Paid)/Received		
Short term Deposits	250,000	189,925
Less Temporary Loans	(12,500)	(8,000)
Total – Net Interest Receivable	237,500	£181,925

* Note – these are virtually final figures

- 3.67 As can be seen, the Council will be below its base budget for the year on cash flow income by £55,575 (£237,500 less £181,925), a slightly worse position of £7,000 compared to the previous month.
- 3.68 As previously reported, the volatility of the financial markets and the low level of interest rates are continuing to have an adverse affect on the Council. In addition, at this time of the year, the Council typically has fewer funds to invest due to minimal income received from council tax and business rates.
- 3.69 Interest earned on deposits is basically at its lowest ever level, with the average rate now at ½%, in line with the current bank base rate.

Overall Debt Liability

- 3.70 Besides the debt shown in **Table 4**, the Council also pays interest on Covenants (which is effectively a form of debt financing). It also contributes to historic debt now administered by a neighbouring authority following a transfer of assets some years ago.
- 3.71 In total, the Council's debt liability is summarised in **Table 5**, below.

Table 5

Summary of Overall Debt Payments 2008/09	Estimate 08/09 (£)	Projected 08/09 (£)	Variance 08/09 (£)	Variance @ Feb 09
Money Market Loan	48,750	48,900	150	150
Temporary Loans	12,500	8,000	(4,500)	(10,200)
Bank Interest	8,200	1,750	(6,450)	(6,450)
Covenants	143,100	143,100	0	0
Transferred Debt	17,000	17,000	0	0
Interest Received on Deposits	(250,000)	(189,925)	60,075	59,000
Other Interest Received	(570)	(14,880)	(14,310)	365
Interest Recharged to the HRA	(99,000)	(76,955)	22,045	22,045
Net Interest (Received)/Payable	(120,020)	(63,010)	57,010	64,910

Note – these are virtually final figures

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