
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 9
DATE OF MEETING:	4th SEPTEMBER 2008	CATEGORY: DELEGATED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (595811)	DOC: u/ks/financial monitoring reports/2008 – 3 September
SUBJECT:	BUDGET and FINANCIAL MONITORING 2008/09	REF
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendation

- 1.1 That the latest budget and financial monitoring figures for 2008/09 are considered and approved.
- 1.2 That members agree the remedial actions to be undertaken to contain the projected overspends within the base budget and that this is reported back in the next monitoring report.

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 in fact 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.

3.0 Detail

GENERAL FUND REVENUE ACCOUNT

- 3.1 The position as at 30th June 2008 (the first quarter) on the Council's main revenue account is summarised in the following table. This shows a projected **overspend** of £293,260 for the current year 2008/9.

ANALYSIS OF EXPENDITURE (BY MAIN SERVICE AREA)	APPROVED BUDGET 2008/09 £	PROJECTED VARIANCE £
Environmental Services	3,147,698	46,500
Management, Finance and Property	1,021,735	(77,500)
Housing and Public Building Maintenance	1,509,809	0
Organisational Development	482,184	0
IT and Business Improvement	863,588	0
Legal and Democratic Services	924,952	86,800
Leisure and Community Services	2,136,625	11,700
Planning Services	255,170	163,000
Customer Services (including Revenues & Benefits)	1,634,800	62,760
Minimum Revenue Provision	306,000	0
Pensions	1,639,257	0
Provisions	192,500	0
Internal Recharges (income to the General Fund)	(1,966,032)	0
OVERALL NET REVENUE EXPENDITURE	12,148,286	293,260

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

- 3.2 The approved budget includes all supplementary estimates previously reported since February 2008, as summarised in the following table.

Supplementary budget approved to support Sharpe's Pottery Centre (as approved by Committee on 19 th February 2008)	£17,000
Supplementary budget approved to install a septic tank for the pavilion in Eureka Park (as approved by Committee on 20 th March 2008)	£19,000
Supplementary budget approved to cover costs associated with the Inspection of Strategic Housing Services (as approved by Committee on 1st May 2008)	£18,000
Funding of Drainage Improvements at Darklands Road Depot (as approved by Committee on 12 th June 2008)	£14,500
Feasibility Works at Midway Fishponds (as approved by Council on 3 rd July 2008)	£17,500
Supplementary budget approved to support Sharpe's Pottery Centre as approved by Council on 3 rd July 2008)	£60,000
Total	£146,000

- 3.3 It also includes amounts brought forward from 2007/08 as approved by the Committee on 26th June 2008.

Committee information system and Standards Board investigations	£25,000
Refuse Collection - extending recycling contract	£30,000
Replacement Elections and Electoral Registration System	£35,000
Contributions to Disabled facility Grants	£19,300
Environmental Management - fund for small projects	£6,150
TOTAL	£115,450

- 3.4 The main reasons for the projected variances in the table in 3.1 are detailed in the following sections.

Environmental Services

- 3.5 The overall projected increase is due to the higher costs of fuel of £49,500 and additional leasing charges of £12,000 on the termination of agreements for 3 vehicles.
- 3.6 These costs can be partly financed from an earmarked reserve set-aside for this purpose, which currently totals £37,000.
- 3.7 In addition, the extra costs of fuel are being offset by additional income for taxi licensing and inspections. This is projected to generate approximately £(15,000) more compared to the budget for the year.
- 3.8 This leaves a projected overspend of £5,500

Management, Finance and Property

- 3.9 The projected positive variance of £(77,500) is due to additional interest receivable on short-term investments and bank deposits (as detailed later in the report).
- 3.10 The trend, that is, increased balances culminating in additional interest receipts has been taken into account in the MTFP for 2009/14, albeit predictions have to be prudent owing to the volatility of financial markets and the fact that we do not account for receipts from the sale of assets until received.

Legal and Democratic Services

- 3.11 The projected deficit of £86,800 is due to a reduction in income from land charges, reflecting the current downturn in the housing market. An increase in

personal searches has also had an effect, albeit to a lesser extent - these generate less income compared to the full search.

Leisure and Community Services

- 3.12 Of the £11,700 projected overspend, the main variance of approximately £9,000 is due to expected spend on Christmas lights and associated town centre events. It is considered that the existing budget is not sufficient to deliver the event.
- 3.13 In 2007/08, this budget overspent also, however this was met from one-off savings elsewhere in the Division's budget.

Planning Services

- 3.14 As highlighted in the review of the MTFP (considered elsewhere on this agenda), this is currently an area posing quite serious risks to the Council's financial position. This is due to the state of the current economy and the incidence of major development sites subject to Inquiries.

- 3.15 The overall variance of £163,000 can be analysed as follows:

- Reduction in income from Building Regulations - £100,000
- Legal and Professional Fees associated with Inquiries - £127,000
- Additional staffing-part year (as approved) - £51,000
- Offset by additional Housing and Planning Delivery Grant - £(115,000)

- 3.16 The current base budget for development control fees is £590,000. This is currently on target to be achieved. However, when approving the additional staffing (Council approval 3rd July), this was dependent upon generating income over and above £590,000 to cover the additional costs.

- 3.17 The additional amount required to sustain the full complement of staff approved is approximately £200,000 per year, making a total of £790,000 in fees. At least one major application is anticipated later in the year, but this is by no means guaranteed.

Customer Services (including Revenues and Benefits)

- 3.18 The variance is due to the additional expenditure of concessionary travel following the successful appeal by the bus operators over the reimbursement of scheme costs.

Projected Overall Variance on the General Fund

- 3.19 The table in 3.1 shows a projected "overspend" of £293,260. From this, £37,000 can be met from earmarked reserves (leasing costs) reducing this figure to £256,260.

- 3.20 In addition, if the 2008/09-pay award is 2.75% (as projected in the MTFP) compared to the current budget of 3%, this will produce a saving of

approximately £25,000. In total therefore, the projected “overspend” is currently around £231,000.

- 3.21 However, this is largely due to reductions in income from building regulations and land charges arising from external factors, together with the additional cost of planning inquiries.
- 3.22 Although the Council’s level of reserves can sustain this for a period as detailed in the review of the MTFP, the longer-term position could come under severe pressure if this current trend was to continue.

HOUSING REVENUE ACCOUNT (HRA)

- 3.23 The Council is required to account separately for income and expenditure in providing Council Housing. The financial position as at June 2008 is summarised in the following table.

ANALYSIS OF EXPENDITURE (BY MAIN SERVICE AREA)	APPROVED BUDGET 2008/09 £	PROJECTED VARIANCE £
Housing Repairs	3,150,530	(46,249)
General Management	937,228	2,704
Sheltered and Other Services	879,672	17,714
Council Tax on Void Properties	1,856	0
Provision for Bad Debts	7,500	0
Capital Charges	1,967,547	0
Payment to Government Pool	2,825,212	0
Rent and Other Income	(9,819,024)	(10,550)
Net SURPLUS	(49,479)	(36,381)

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

- 3.24 The above table shows that the net surplus on the HRA is projected to be approximately £(36,000) higher than estimated. The additional income has been reflected in the latest review of the MTFP 10 year projection.
- 3.25 The major variance at this stage is on repairs, where it is anticipated that planned maintenance works will be £15,000 less than estimated and other responsive repairs a further £30,000 less. This is essentially owing to efficiency savings from the re-tendering of services and the investment in planned maintenance reducing the demand for responsive repairs.
- 3.26 The usual cautionary note is relevant in that the budget and spending pattern can be volatile and subject to change during the year depending on demand and weather conditions, etc.

3.27 Proposed Actions

In view of the current economic climate and the clear effect this has on our budget it is critical that we exercise caution during this period. It is also imperative that wherever possible we bring forward efficiency savings including reviewing service delivery, in line with our corporate priorities. Actions have been agreed as follows:

- ✓ All Heads of Service together with their respective service accountants keep under constant review their expenditure and income against budgets.
- ✓ Head of Environmental Services to review fuel charges
- ✓ Head of Legal and Democratic services to review the land charges function in the light of reducing income.
- ✓ Head of Leisure and community Development to review the events budget in line with corporate priorities and available budgets to identify any areas for potential savings.
- ✓ Head of Planning Services to recruit the approved additional staffing on a phased basis.
- ✓ Head of Housing Services to review the projected overspend on 'Sheltered and Other' housing services.

VALUE FOR MONEY EFFICIENCY SAVINGS

- 3.28 As reported to the Committee in July, the national agenda for delivering efficiencies in local government has now changed. This came out of the Government's 2007 Comprehensive Spending Review.
- 3.29 From April 2008, all public services have been set a target of achieving at least 3% net cash-releasing value for money (VFM) gains per year over 2008/09 to 2010/11. Although non-cashable gains are still relevant and to be encouraged, they will not count towards this target.
- 3.30 Each organisation has been given flexibility to set its own target that is realistic and relevant to its own needs. However, targets and more crucially actual performance on delivering VFM gains will need to be sufficient enough to withstand external scrutiny.
- 3.31 The target remains a national indicator and local performance will be judged in the Annual Use of Resources Assessment.
- 3.32 Some gains made upto 2007/08 can be carried over against the target, in particular those where there is an on-going benefit beyond April 2008.

The Council's Plan

- 3.33 The Council's Corporate Plan has value for money at its centre. The initial targets approved in "priorities for action" are new gains of £100,000 by March 2009 and £1/2m by 2011. [Page 6 of 9](#)

3.34 The Strategy for achieving this as set out in the Corporate Plan, includes:

- Reviewing the way that services are commissioned
- Continuing to streamlining back office processes
- Asset Management

3.35 Specific actions were detailed in the annual Procurement review and business improvement programme that were reported to Committee on 1st May.

3.36 It is proposed that progress against the value for money target continues to be included in this and future monitoring reports to the Committee on an on-going basis.

Progress to Date

3.37 **Appendix 1** details the Council's central monitoring record for its efficiencies. This shows that approximately £230,000 (**page 4**) can be carried forward from the previous (Gershon) framework. However, it is the new gains that should now come into focus.

3.38 These are shown on **pages 3 and 4** and include the effects of previous restructures over the last year or so. These savings have already been built into the MTFP.

3.39 **Projects 21 to 26** are those that are currently being implemented and the full effects are still to be ascertained. Therefore, these have yet to be included in the MTFP. Cumulatively, these new gains should generate approximately £270,000 in cashable savings by 2013.

3.40 In view of the current budget position it is important that we bring about the planned sustainable efficiency savings in accordance with the Business Improvement and Procurement programme.

CAPITAL EXPENDITURE and FINANCING

3.41 The overall position on gross expenditure (before external financing) as at July 2008 is summarised in the following table.

ANALYSIS OF SPENDING BY MAIN SERVICE/PROJECT AREA	APPROVED ESTIMATE £	SPENT AT JULY 08 £
Council House Improvements	2,912,950	470,909
Disabled Facility Grants	431,920	94,182
Other Housing Investment	735,100	132,530
Leisure and Community	900,790	176,991
Environmental Projects	173,200	30,312
Property and Other Assets**	601,900	81,853
Growth Point Schemes	735,000	0
Total Expenditure	6,490,860	986,777

**** Note – this includes repayment of Covenants (£200,000) and a contribution to the Vehicle Renewals Fund (£225,000), for which expenditure is not incurred until the year-end.**

3.42 The approved estimate reflects the updated programme as detailed in the report on the review of the MTFP. No variances are anticipated at this stage.

Capital Receipts – Council House Sales

3.43 The amount to be generated in 2008/09 and usable for future capital investment (which includes funding for this year's programme) was originally estimated at £300,000. This was calculated based on the assumed sale of 20 council houses.

3.44 The review of the MTFP is now recommending that this figure be reduced to 10, with estimated income of £165,000 in the year. This is based on 4 completions as at July 2008.

TREASURY MANAGEMENT

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

Borrowing	01/04/08	31/07/08
• Long Term Debt Outstanding	£1,000,00	£1,000,000
• Temporary Borrowings	£223,326	£223,236
Total Debt Outstanding	<u>£1,223,326</u>	<u>£1,223,236</u>
• Average Interest Rate – Long Term	4.875%	4.875%
• Average Interest Rate – Temporary	4.25%	4.00%
• Base Rate	5.25%	5.00%
Investments - Short Term Deposits	<u>£3,662,400</u>	<u>£8,904,356</u>
Average Interest Rate Earned	5.79%	5.35%
Target – Average 7-Day Rate (for comparison)	5.45%	5.10%

	Estimate for the Year £	Projected for the Year £
Analysis of Interest (Paid)/Received		
Short term Deposits	250,000	325,000
Less Temporary Loans	(12,500)	(10,000)
Total – Net Interest Receivable	237,500	£315,000

3.46 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 £77,500 compared to that estimated for 2008/09.

4.0 Financial Implications

4.1 As detailed in the report.

5.0 Corporate Implications

5.1 As detailed in the report.

6.0 Community Implications

6.1 As detailed in the report.

7.0 Background Papers

7.1 None