
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 15
DATE OF MEETING:	30th NOVEMBER 2006	CATEGORY: DELEGATED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (595811)	DOC: u/ks/financial monitoring/november06
SUBJECT:	BUDGET and FINANCIAL MONITORING 2006/07	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendation

1.1 That the latest budget monitoring figures and associated information is considered and noted.

2.0 Purpose of Report

- 2.1 To report the latest budget monitoring for the financial year 2006/07. This is ahead of a more detailed review of income and expenditure as part of the 2007/08 budget- round.
- 2.2 The Council is expected 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.
- 2.3 A fundamental part of the process involves budget managers together with their service accountant, meeting and reviewing performance against their particular budgets.
- 2.4 Monitoring is intended to identify any variances as early as possible. Overall performance is reported to this Committee quarterly.
- 2.5 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 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 quarterly.
- 2.6 This report also provides an update on the Council's planned efficiency gains to-date and how these compare against the target for 2006/07 as set by the Government under the "Gershon" Agenda.

3.0 Detail

GENERAL FUND REVENUE ACCOUNT

- 3.1 The situation as at September 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.

Analysis of Expenditure (By Main Service Area)	Approved Estimate £	Projected Out-turn £	Probable Variance £
Environmental Services	7,743,650	7,721,150	-22,500
Management, Financial and Property	3,776,480	3,736,680	-39,800
Housing and Public Buildings	2,067,710	2,053,060	-14,650
Human Resources	666,430	665,730	-700
IT and Customer Services	2,536,990	2,559,240	+22,250
Legal and Democratic Services	1,998,160	1,992,770	-5,390
Leisure and Community Services	4,126,170	4,183,070	+56,900
Planning Services	2,120,070	2,044,840	-75,230
Policy and Economic Regeneration	685,710	686,010	+300
Revenues and Benefit Services	2,755,670	2,730,250	-25,420
TOTAL EXPENDITURE	28,477,040	28,372,800	-104,240

- 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 (MTFP) 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 £104,000 **below** that budgeted overall across all general fund services.
- 3.5 Within this, although there are no variances that would have a significant impact on the medium-term financial position, there are some larger variances that should be noted. These are summarised below.

Favorable Variances

- Overall reduction in staffing costs (25,000) in Environmental Health, Waste and Cleansing due to rationalisation of some service provision with Customer First along with general vacancies.
- Increase in interest on short-term cash deposits of £60,000 (as detailed later in the report).
- Reduction in staffing costs (£18,000) 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.
- Decrease in cost of concessionary travel (£22,000) – 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.

- Additional income from planning fees £75,000.

Adverse Variances

- Additional staffing costs in the Customer First Service (£14,500) to cover long-term sickness absence.
- Additional Energy Costs (£32,000) 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.
- Reduction in accommodation income (against that estimated) of £14,000 at Rosliston Forestry Centre. In addition, there have been some additional costs (£6,000) incurred for cleaning and repairs and maintenance.

3.6 On this, the responsible budget manager advises that this is due to the delay in completion of the substantial capital works to develop the Centre. In addition, more extensive marketing has now been undertaken and it is anticipated that income projections in the Business Plan will be achieved in the future.

Energy Costs and Other Efficiency Savings

3.7 As highlighted above, energy costs are projected to be higher than budget, in particular at Etwall Leisure Centre. However, the Council's Procurement Officer, through tendering exercises, has recently pegged back some of this increase through contracts on other Council properties.

3.8 Including other supplies and services, a total of saving of £25,000 has been achieved to-date by the centralisation and competitive tendering of various contracts. These savings will be reflected in the Council's updated MTFP for 2007/10 in the forthcoming budget round.

3.9 In accordance with the Council's Financial Strategy, cashable savings, although planned in advance, are only brought into the MTFP when they have been achieved.

3.10 The latest position on overall efficiency savings is detailed in **Appendix 1**. The Council is on target overall to achieve its planned efficiencies for 2006/07 and should still be above the Government's cumulative target (as set out in the Gershon Agenda) by March 2007.

HOUSING REVENUE ACCOUNT (HRA)

3.11 The Council is required to account separately for income and expenditure in providing council housing. The situation as at September 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	2,932,730	0
General Management	757,400	783,749	+26,349
Sheltered and Other Services	878,010	832,751	-45,259
Council Tax on Void Properties	5,110	5,000	-110
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)	(9,393,142)	-5,058
Net SURPLUS	(322,750)	(336,712)	+13,962

3.12 The above table shows that the net surplus on the HRA is projected to be approximately £13,000 higher than the approved estimate. The variance on sheltered and other services is due to lower staffing costs.

3.13 Spending on housing repairs is on budget, and there is no indication from budget holders that this will be exceeded at this stage. However, as usual this budget will continue to be monitored closely, in particular as we approach the winter months from which additional and unplanned spending can occur.

CAPITAL EXPENDITURE and FINANCING

3.14 The overall position as at August 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 £	Spent at August 06 £	Projected Out-turn £	Projected Variance £
Council House Improvements	2,319,400	665,600	2,319,400	0
Disabled Facility Grants	527,900	166,800	527,900	0
Other Housing Investment	1,051,500	174,400	1,084,500	+33,000
Community Projects	1,175,550	229,600	1,267,400	+91,850
Environmental Schemes	73,100	13,540	73,100	0
Property and Other Assets	618,000	30,200	422,600	-195,400
Total Expenditure	5,765,450	1,280,140	5,694,900	-70,550

3.15 The variances on other housing investment, community projects and property are summarised below.

- Additional enforcement works as part of the private sector housing programme (£23k). This is rechargeable and will be recovered and therefore, there are no additional resources required from the Council to meet this expenditure.

- The resurfacing of Alma Road (Newhall) is anticipated to cost £10,000 more than budgeted following the receipt of tenders. This will require an additional contribution from capital receipts.
- As reported to Committee in September, there has been 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.
- Although the works for the next phase of the Planned Maintenance Programme (including improvements under Disability legislation) has been committed, it is unlikely that all works will have been completed and paid by the year-end.
- In addition, it has been assumed at this stage, that provision held for the maintenance of certain community buildings will not be utilised this year, pending a review of options on their future use. These sums will need to be carried forward.

Capital Receipts

3.16 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

3.17 As at September 2006, 30 sales had been completed, with the usable amount being approximately £688,000. If this trend continues for the remainder of the year, 60 sales (as estimated) will be made, generating £1,376,000, £42,500 above that estimated. This would offset the additional capital works as detailed above.

3.18 In addition, the target of £94,000 for the year in respect of other asset sales has already been achieved, with £95,000 generated. With other planned disposals being identified, this should generate further resources compared to that estimated.

CASH FLOW

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

Borrowing	01/04/06	31/10/06
• Long Term Debt Outstanding	£1,000,000	£1,000,000
• Temporary Borrowings	£171,000	£237,700
Total Debt Outstanding	£1,171,000	£1,237,700
• Average Interest Rate – Long Term	4.875%	4.875%
• Average Interest Rate – Temporary	3.5%	3.75%
• Base Rate	4.5%	4.75%
Investments - Short Term Deposits	£850,000	£9,166,000
Average Interest Rate Earned	4.50%	4.77%
Target – Average 7-Day Rate (for comparison)	4.44%	4.78%

Analysis of Interest Paid/Received	Estimate for the Year £	Actual as at October 2006 £	Projected for the Year £
Short term Deposits	140,000	138,974	200,000
Less Temporary Loans	-23,650	-4,441	-12,000
Total – Net Interest Receivable	116,350	134,533	188,000

3.20 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 £71,000 compared to that estimated for 2006/07.

4.0 Financial Implications

4.1 As detailed above.

5.0 Corporate Implication

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